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# *The "New Order"* *and* *Its Problems*

*by*

C. W. PETERSON

Editor, "Farm and Ranch Review"

*Author of*

"WAKE UP, CANADA" (1920)

"THE FRUITS OF THE EARTH" (1926)

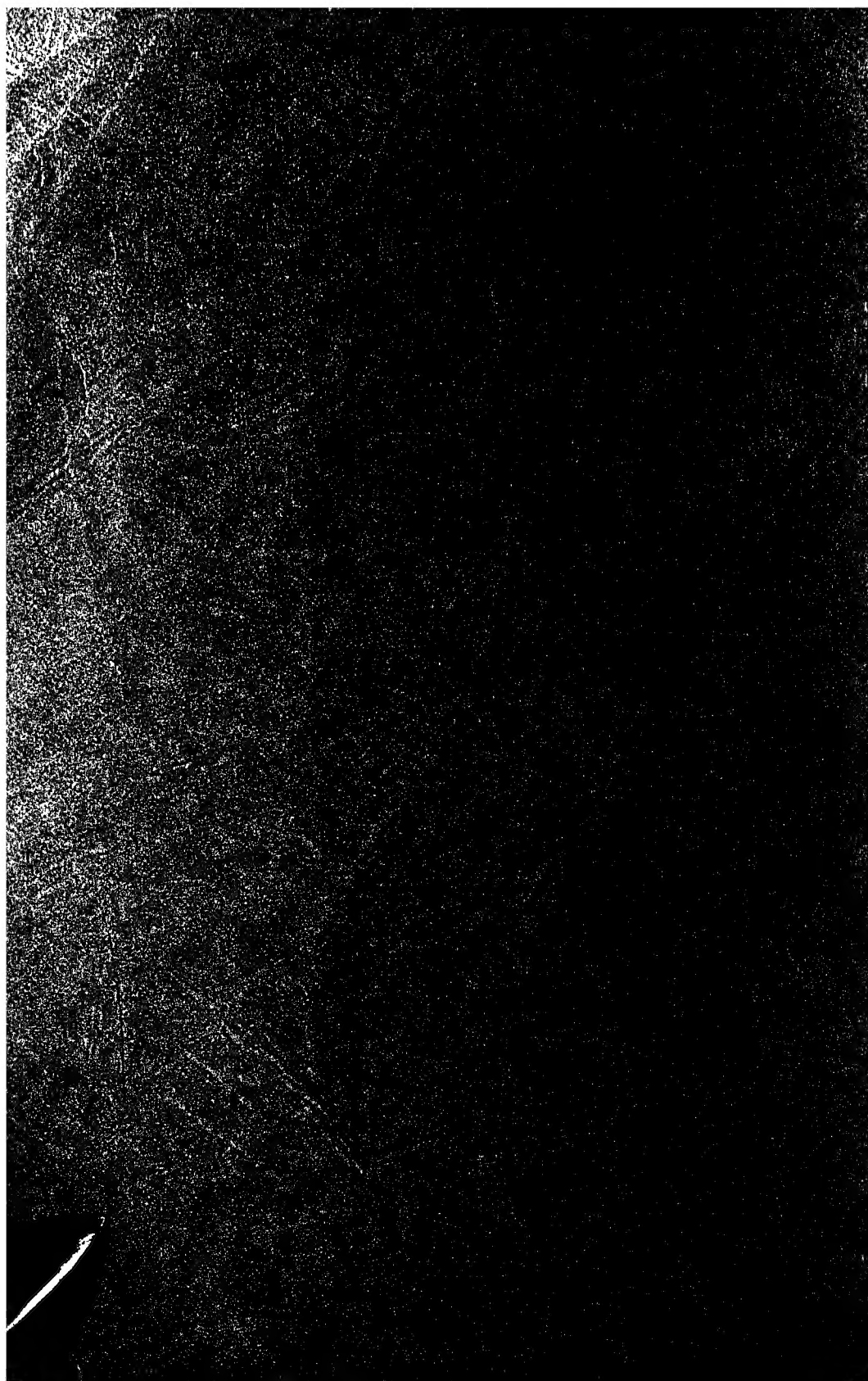
"WHEAT, THE RIDDLE OF MARKETS" (1930)

1942

FARM AND RANCH REVIEW

Calgary - Alberta - Canada

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*Lawrence Peterson*

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## TABLE OF CONTENTS

	DEDICATION .....	5
<i>Chapter I.</i>	THE "NEW ORDER" AND ITS PROBLEMS ..	7
<i>Chapter II.</i>	THE WAGES OF BUSINESS .....	11
<i>Chapter III.</i>	THE LABOURER AND HIS HIRE .....	19
<i>Chapter IV.</i>	OUR SWEATED AGRICULTURE .....	39
<i>Chapter V.</i>	FINANCE AND SOCIAL WELFARE .....	48
<i>Chapter VI.</i>	ECONOMIC JUSTICE .....	56
<i>Chapter VII.</i>	FREE VERSUS PUBLIC ENTERPRISE .....	62
<i>Chapter VIII.</i>	HERR HITLER'S "NEW ORDER" .....	73
<i>Chapter IX.</i>	CONCLUSION .....	79



## DEDICATION

I had energetically prepared a prodigious volume of notes and material in confident anticipation—so characteristic of writers—of producing *the* book on post-war rehabilitation, having committed a similar offence after the first World War. It is apparently habit-forming and one likes to believe that "practise makes perfect." I casually disclosed my intention to a cynical friend of much literary and educational experience, which is probably what made him cynical.

He proceeded with ruthlessness to enlighten me in respect to the utter callousness, indifference and apathy of the dear public, all of which was really "carrying coals to Newcastle," as nothing he could, and did, say would be likely to intensify my own strong notions on that particular subject. Only I seemed to have forgotten:

I then weakly played with the possibility of weaving my hard and dry and tiresome stuff into an exciting multiple-murder story, but the technique proved elusive, so I abandoned my gory intentions. In fact, I chucked notes, materials and what not into a drawer and closed it with a resounding bang. *It was final.* Why waste time? Why endeavour to divert public attention from the exciting hockey contests?

Came a most unexpected letter one fine morning, which bucked me up considerably. It was from the venerable (now 85 years of age), and altogether admirable Mr. George E. Roberts, until recently a Vice-President and Economic Advisor of the National City Bank of New York, whose realistic monthly bulletins had for many years been a source of inspiration and enlightenment to me. His writings were always so replete with economic and world wisdom, tempered with a profound knowledge of agriculture, without which economic preaching never makes real sense. With, I fear, entirely undeserved kindness, Mr. Roberts said, in part:

"I have recently come upon a copy of your booklet, 'The Wage Level and Its Employment Yield,' of which I distributed numerous copies, back some seven or more years ago. In my opinion this gives the best analysis of the world's troubles resulting from the first World War that I have seen. I would like to make an effort to have it reprinted and circulated widely.

"I do not, however, want to give up the copy I have. Have you any remaining copies that you can spare? This one has come back to me from a party to

whom I sent it, I judge about 1934. I would like to send it to . . . . . which circulates much literature, but nothing as good as this. I know them and can get it read. I am hopeful that they would do something with it.

"If the truth set forth in this booklet had been generally known, this second world war might have been escaped. Furthermore, unless these truths can be made known *Civilization is doomed!*. . . . ."

So it was not entirely a waste of time after all! Some people, who really counted, were actually interested in the great issues of the day. My notes for the new book promptly emerged from "cold storage," and in a veritable frenzy of energy I finished it in record time, with the smallest possible regard, I fear, for literary merit, but with the sole objective of putting on the finishing touches before my distressing periods of doubt and futility again assailed me.

So here it is for better or for worse. If I had not received Mr. Roberts' encouraging letter, it would probably never have been published. So to him it is respectfully dedicated, without permission.

THE AUTHOR.



# *The "New Order"* *and* *Its Problems*

## CHAPTER I.

Great wars bring us face to face with the stark realities of life. They usher in a time of supreme sacrifices and men's thoughts turn instinctively from the sordid, everyday affairs to the contemplation of fundamentals. Almost every great social and political reform movement in history was conceived during such periods of national peril. It is, therefore, quite appropriate that one of the most popular and intriguing topics of conversation where men gather together is now the predicted "new social order" to follow the termination of the war. Theories range all the way from deep, red Communism up to the pinker shades of advanced opinion. Practically everyone agrees, however, that radical changes lie ahead for us all; that a brave new world will proudly emerge from the present chaos. God grant it may be so!

The opinion prevails in some quarters that we ought to "get on with the war" and leave the problems of peace until that job is finished. This is a superficial attitude. An intelligent consideration of all that will be involved after the conflict ceases is urgent and need in no way interfere with maximum war effort. In times of peace, Governments have their "War-book" prepared, so that, whenever the hour may strike, everything is organized for instant action. So, in time of war, a Government should have ready a "Peace-book." In it the measures for Planning must hold a chief place. It frequently takes the better part of a year to prepare the blue-prints and specifications for important public works. We cannot afford to wait for that. When the day of military and industrial demobilization dawns, all we should have to do is to press a button to set our well-matured plans in motion.

Winston Churchill, President Roosevelt, our own Prime Minister and a multitude of lesser lights have, jointly and severally, promised us a "new order" following the termination of the war. For a century or more eminent economists and students of social welfare have assiduously burned the midnight oil in order to construct formulæ to translate into reality the age-old, burning desire of all

decent people to abolish from our midst the curse of unemployment, poverty and economic insecurity.

Over this lengthy period enormous progress has undoubtedly been made in the working and living conditions of the common man. But in the light of the unemployment record and profound agricultural distress of the past decade, we are forced to admit, that notwithstanding our honest and energetic efforts to wipe the ugly blot of undeserved poverty from our national economy, we have completely failed to discover the effective remedies. We have reluctantly been compelled by the logic of experience to pin our faith to an evolutionary rather than a revolutionary social development.

We can point with some pride to a record of slow, laborious improvement over many, weary years, but the implication of the promised "new order" is certainly not another century of slow and steady progress. It rather foreshadows a dramatic and speedy transformation in our national economy and social organization. The eminent sponsors of the coming better life seem to take for granted, that the proposed "new order" is almost exclusively a problem in governmental organization. All we need apparently is a formula.

If our responsible political leaders were actually prepared to plunge us into the highly contentious field of an all-out socialistic society, which a very large number of our fellow citizens undoubtedly anticipates, it would be easier to comprehend the confident official attitude. But there is no reason to suppose that such is their deliberate intention.

Those, by the way, who discount the ominous growth of radical opinion in Canadian agricultural and labour circles, might usefully bear in mind the strong agrarian support of the C.C.F. (socialist) party in the West, and that the hitherto ultra-conservative railway brotherhoods permitted their spokesmen before a recent Senate Committee to openly demand that Canada should adopt a communistic economy in the interest of industrial labour!

But coming back to the sanguine social platform of Churchill, Roosevelt and King, one rather gathers the impression, that, realizing the imperative necessity of meeting the peremptory demand of the under-privileged classes for improved conditions and being strongly imbued with robust humanitarian motives and reconciled to whatever drastic policies may be indicated, they, deferring consideration of practical ways and means, have boldly sponsored a "new order" with complete confidence in their ability to make good, but perhaps with no very clear ideas of all that is involved. This heroic decision is, of course, to be admired.

Moreover, there are those who take the optimistic view of the problem. The last report of the "International Labour Office" says:

" . . . In the ultimate analysis, with men, machines, the world's stock of raw materials and possibilities of their further production, all the elements

will be available wherewith human intelligence, technical knowledge, invention, and organizing ability can face the problem of building up a post-war world in which those principles which underlie political democracy can be translated into terms of a richer, fuller, and freer life for the individual citizen. But the task needs to be approached in a robust spirit of optimism, and that such a spirit does not lack the support of authoritative economic thinking is instanced by the hope of Mr. Keynes "we shall have learnt some things about the conduct of currency and foreign trade, about central controls, and about the capacity of the country to produce, which will prevent us from ever relapsing into our pre-war economic morass. There is no reason why most people should not look forward to higher standards of life after the war than they have ever enjoyed yet."

## II.

These are highly encouraging words, but one fears they may partly be based on popular misconceptions. The fact is that social reformers pathetically pin their faith to the very popular "abundance" theory. But painstaking investigation has led to the disturbing conclusion, that no nation on earth, not even wealthy North America, produces enough in the aggregate—and never has—to provide for its people even a medium standard of living, according to modern conceptions, with decent housing, clothing and adequate nourishment for all. A study of the comprehensive report of the Brookings Institution makes that very clear. Every person's work and effort would be urgently needed to provide the "loaves and fishes" for any reasonably affluent community and for the proper maintenance of the unfortunates and derelicts. It would demand the concentrated efforts of our industrious, efficient and inventive population. There is no "easy" way.

Because we have recklessly and perhaps foolishly contrived to over-produce a few commodities like cotton, coffee and wheat—it might almost as easily have been mustard and mousetraps—we now hear a lot of nonsense about the world being at last in a state of "overflowing abundance." This, of course, is pure invention. The sorry truth is that our equipment and man-power would need to work overtime and double time to provide us all with a comparatively modest standard of living. We are, in fact, functioning in a moderately poor and not in a world of super-abundance. While sparsely populated North America, with her great potential resources, could probably ensure for her citizens a higher, average standard of living—which they have, in fact, always enjoyed—than most other geographical areas, it is desirable that we should be realistic and not under-estimate obvious limitations and harbour unduly great expectations. To completely abolish poverty and want would place a terrific strain on our present productive machinery and would almost certainly involve a somewhat reduced living standard in the medium and higher income brackets, at least, for some years to come.

However, the ability of government to create Utopia by legislative action, has its very decided limits. It can point the way

and express the pious hope that we will all follow the straight and narrow path, and even punish us when we fail to do so, but it encounters everywhere the imponderable obstacle to the perfect society—the frail, acquisitive *homo sapiens*. As Dr. Stephen Leacock suggests, if all men were angels, any form of society would function to perfection, but, alas, they are far removed from any such exalted category and the sad fact is that with the very best intentions in the world, the influence of government in determining the welfare of the individual citizen is very feeble and circumscribed compared with that of his irresponsible fellow-men.

If anything stands out clearly in world history it is this: The economic and social life of mankind—ever urged forward and upward by the irresistible pressure of idealists and reformers, who thus perform a useful function—improves, on the whole, rather faster than the human unit is able to adapt itself and rise to the new conditions and new responsibilities. *In other words, the tempo of our social and material progress has, if anything, been too fast rather than too slow.* It is always a long step ahead of man's educational and moral equipment.

The government can and does protect its citizens against exploitation by the selfish and predatory when such is in open conflict with the law. But that protection covers only a very small segment of man-to-man transactions. Robert Burns put his finger on the weak spot in human relations when he complained of "man's inhumanity to man." A system based on free enterprise, under which we now function, can be substantially improved only as the citizen learns to observe the Golden Rule, and that is a long and tedious educational process, much too slow for the impatient reformer, who will want to know just how far our political leaders are prepared to move towards the left. The preparation of the "blue-print" outlining a feasible "new order" is no easy task.

At any rate when the time comes when the great decisions have to be made, for good or for evil, these will assuredly be dictated by majority opinion, as far as that can be correctly interpreted by our responsible statesmen. If the paths of nations were always onward and upward, we could afford to indulge in complacency. But such is not by any means the verdict of history. It, therefore, behooves us all to clarify our own ideas and help to clarify those of others on the social and economic issues in order that some intelligent leads may gain the acceptance of public opinion and help guide those whose responsibility it will be to construct the formulæ for the new and, let us devoutly hope, better order.

## CHAPTER II.

### THE WAGES OF BUSINESS

The principal and most spectacular aftermath of the last war was a tremendous spurt in industrial and transportation mechanization, with somewhat unhappy social consequences in terms of widespread labour displacement. This development was not due to any mysterious influence of warfare as such, but was merely a normal defence measure against a highly inflated wage level. A host of labour-saving devices, many of them invented long before the war, became profitable with the phenomenal increase in labour costs.

This ultimately led to the very serious unemployment problem and consequent business dislocation of the past decade. Public attention became focussed strongly on the prevailing economic insecurity. It was felt—and rightly so—that our whole economy had been thrown out of balance. Most of us were bewildered and unable to reconcile our wealth of undeveloped resources and sparse population with a situation which closely resembled that of the overcrowded, tired civilizations of the old world. The general verdict was that it was an unnatural development reflecting discredit on our political and business leadership. There was more truth than poetry in that diagnosis.

It is obvious that domestic industrial and labour relations are the central problems around which the formula for the promised "new order" must be constructed. The agricultural riddle is largely international. The farmer simply demands income parity with other occupational groups. Economic justice. This may be provided, as it now is, here and elsewhere, by systematic bonus payments or by internal price control plus export bounties. It is purely a business problem and there are not any great social or political issues at stake in the settlement of the principal grievance of agriculture.

When, however, we enter the urban field of capital and labour we encounter an entirely different atmosphere. It bristles with social, political and economic problems to which our best minds have for generations been applying themselves with somewhat indifferent results. We clash with the unpredictable human element with its prejudices, hatreds and irrational emotions. A "new order" ceases to be a business proposition only. It becomes entangled with highly controversial social and political issues.

## II.

Ruskin maintained that "there is no wealth but life." Undoubtedly, what makes a nation great is the character and quality

of its vital asset—its men and women—rather than its natural resources and geographical advantages. A crosscut of humanity reveals a terrifying proportion of citizens, mostly decent and law abiding, but more or less devoid of those qualities which produce material success in the tense struggle of life. On the other hand, the proportion of highly competent citizens—leaders in invention, industry and commerce—is deplorably low.

The conservation, encouragement and augmentation of this small band of overmen, touched with the divine spark of success, is one of the problems facing the authors of "new orders." How can they be adequately protected, without arousing the envy of the ignorant, and given the freest hand to work their miracles for the benefit of mankind? Under any form of socialization they would have neither the means nor, in most cases, the incentive to pioneer, often at great risk, the epochal changes in our industrial fabric. Governments are never venturesome.

The ignorant and the more incompetent, constituting the vast majority, naturally view these near-supermen with a mixture of suspicion and envy. Their successes are attributed to sinister methods. The political spell-binders specialize in public appeals based upon criticism of people, groups and institutions. That sort of a political atmosphere is, of course, meat and drink to the professional demagogue who is at his best, or worst, when vocally lambasting and insulting all and sundry. The most successful kind of politics is apparently to erect and create objects of contempt and hatred: the "interests", the "big shots", the "financiers," and so forth. We seldom ask any detail and gaily swallow the most ridiculous perversion of facts.

Too many of us have, in fact, become criminally gullible. South of the line any Townsend with a \$2,000 pension for everybody over 55 years of age, any Huey Long, any crank who can pick out some inoffensive class as an object of hatred and—particularly if he promises something for nothing, no matter how preposterous his plan is—can always count on the support of millions of thoughtless, though otherwise intelligent, people. We are almost equally credulous in Canada. Mixed up with all this is, of course, envy of those better off than we are.

This systematic appeal to class hatred and intolerance, gradually undermining, as it does, public confidence, constitutes a serious menace to our political and social institutions. The moment a genius like Henry Ford, or dozens of others one could name, has, starting with his bare hands, built up a great and useful industry, employing thousands of people at high wages, he immediately becomes the object of the poison pen and tongue and is presently nominated as a public enemy.

In the northern countries of Europe, where the ordinary people are fairly well educated, and, prior to the German occupation, not at all afraid to express their opinions, such successful men are

highly honoured and respected by all classes, and moreover, generally enjoy universal popularity. The blatant demagogue cannot get a hearing. He generally provokes laughter. On this side of the Atlantic we generously bestow hero worship almost exclusively on our baseball and hockey players. Class hatred is the silliest and most futile of human emotions. It is also highly destructive to good government in a democracy. We stand in dire need of wholesome education on the plain facts of our daily lives.

### III.

The radical element in Canada also entertains the weirdest notions about our industrial machine. Industry to them means the well-publicized concerns like "General Motors," "Ford," "General Electric" and our handful of other mass-producing, semi-monopolistic enterprises. They are entirely oblivious of, or completely ignore, the fact that the core of Canada's industrial machine is the small, highly competitive industry. That the average number of employees—shop and white-collar—in Canada's 642,000 industries is less than 26.

Our radical friends avidly gather their ideas of lush, industrial profits largely from the movies. They behold the magnificent marble palace of the dour "ironmaster," his sleek butler, jewel-bedecked wife, beauteous daughter and drunken, irresponsible son. In contrast they see the heroic, grimy, over-worked "wages slaves," whose earnings scarcely suffice to keep body and soul together. That is the distorted picture they take home to their cramped cottage or flat, gloating over the injustice of it all.

It is well known that hard times were experienced by many corporate enterprises in 1938. Just how hard has just been made evident by statistics issued by the Treasury Department of the United States, gleaned from income-tax returns for more than 200 kinds of businesses. This is the most detailed evidence yet published from this source. Unfortunately, we have no information of that sort bearing on Canadian activities, but it is certain that business on this side of the line would not show more favourable results.

A great variety of conditions are reflected in these figures. For example, almost one-third of all businesses was conducted at a loss, and aggregate deficits for the year were 44 per cent of aggregate net incomes. In anthracite mining, 68 per cent of the business was done at a loss, and in bituminous coal over 64 per cent. Other examples of fields in which the larger part of all business was done that year at a loss are logging and sawmills 52 per cent, petroleum refining 52 per cent, blast furnaces and rolling mills 75 per cent, all transportation 51 per cent, with railroad transportation at 58 per cent.

This is by no manner of means a complete list, and it does not include large sections of industry which were hard-hit. For

instance, in cotton manufactures, while 56 per cent of the business yielded some net income, the total net income in the industry was \$22 millions whereas the total of deficits was \$27 millions. The aggregate results were even worse in woollen and worsted manufacturing, where there was some net income on 52 per cent of the business, but total net incomes of \$6 millions were accompanied by total deficits of \$19 millions. A realistic study of these statistics will tend to cure some hallucinations.

Here is another illuminating set of statistics:

Year	Net Income of All Corporations*	Invested Capital**	Rate of Return***
1926.....	\$6,775,000,000	\$119,260,000,000	5.7%
1927.....	5,880,000,000	132,403,000,000	4.4
1928.....	7,566,000,000	142,887,000,000	5.3
1929.....	8,084,000,000	160,069,000,000	5.0
1930.....	1,365,000,000	161,282,000,000	.8
1931.....	d3,145,000,000	145,363,000,000	.....
1932.....	d5,376,000,000	133,569,000,000	.....
1933.....	d2,378,000,000	127,578,000,000	.....
1934.....	157,000,000	141,585,000,000	.1
1935.....	1,675,000,000	139,931,000,000	1.2
1936.....	3,904,000,000	133,469,000,000	2.9
1937.....	3,872,000,000	141,633,000,000	2.7
Average ....	2,365,000,000	139,964,000,000	1.7

\* After taxes; includes interest on tax-exempt securities.

\*\* Includes only corporations which submit balance sheets to Treasury, or about 87% of all corporations. Thus capital indicated is less than the capital of all corporations, and accordingly the rate of return shown is higher than the actual rate on the capital of all corporations.

\*\*\* Fiscal years ended June 30. d—deficit.

#### IV.

Having in view the distorted popular ideas of industrial and business earnings, which is almost solely responsible for the seething social unrest, I am utterly at a loss to understand the apathy of our industrial and business leaders in respect to the all-important subject of public relations. Industry has a convincing institutional story to tell. Why is it not being told?

For instance, industry has for many years suffered under the odium of demanding high import tariffs in order to add to its profits. Every student of public affairs should know, that the tariff is there almost exclusively to underwrite and guarantee the world's highest hour-rates of wages, presumably forced upon industry and our governments by the political and militant power of organized labour. The conclusive proof is simple. If American labour were willing to work at anywhere near the same wage level as labour in competing countries, which would fairly equalize the cost of production, the idea of a protective tariff would instantly be laughed out of court.



Violent criticism of the railway "octopus" is constant. Almost everyone complains of excessive freight rates. What are the facts? Canada can boast of the lowest freight rate basis of any white country in the world. Only India, China and Japan, with their trifling labour cost, enjoy rates only a little below Canadian rates. The average ton-mile receipts of Canadian railways in cents is 0.969. United States' rates are a shade higher. The following are the basis of other countries: Australia, 2.733; Great Britain, 3.058; France, 4.010; Sweden, 4.057, and Denmark, 6.456. The European rate basis is from three to over six and a half times as high as it is in Canada. The wages of railway labour, which represents 64 per cent of the direct operating cost, have been forced upwards since 1901 to the tune of 200 per cent, while farm product prices increased only slightly if at all. What with high wages and low rates the Canadian National is hopelessly bankrupt and the Canadian Pacific ceased paying dividends to its shareholders years ago. War prosperity has now changed the picture somewhat, but only for the time being.

## V.

The public knows little or nothing about the terrific struggle of the average small industry for survival and the appalling record of business failures, because the national organizations looking after Canadian industrial interests have always been too busy mending tariff fences and delving into taxation and transportation grievances to give any serious thought to its most important job, namely, to create and maintain satisfactory public relations.

Our radicals would be surprised at the vicissitudes of the multitude of small industries generally facing cut-throat competition, rising taxes and general costs and diminishing markets, whose main pre-occupation for the past decade has been to solve the problem of keeping the doors open and carry along the debt burden accumulated over the long depression and the preceding period of what was facetiously named "profitless prosperity." The fear of the executives of these concerns to let down those whose investment has been entrusted to them and turning on the street the families of loyal employees who have often grown old in their service. That is a much truer picture of Canadian industry.

A Philadelphia executive, G. Earl Smith, pictures the problem of management thus:

"It is indeed true that competent management is seldom appreciated by employees, stockholders, or government. Drivers demand extravagant increases, plant employees demand tremendous raises, store clerks demand more, government demands payroll taxes, capital stock taxes, fantastic income taxes, and as things are to-day, *they all get them.*

"Why and how?

"Where does all the extra money come from? It wasn't there. There was only so much in the bucket. But *management* grimly digs in, plans and schemes, puts in new equipment here and there, gets more efficient plant operation, saves

on motions, saves on trucks, cuts insurance costs, feverishly charts cost-percentages, shaves them here and there and lo, the bucket fills again—or, rather, *partly* fills again.

"That's management, which does the impossible—over and over again.

"Management—something the Washington administration knows nothing of.

"Management—challenged by employees, stockholders, scorned by those who levy taxes.

"Management—doggedly surmounting the myriad of obstacles to keep its business alive and vigorous in spite of 'hell or high water.'

"Management—premier of quality—we salute you. But not many do! It is indeed 'the forgotten function.'"

The ominous, drastic fall in the values of industrial stocks, both in Canada and the U.S., bears eloquent testimony to the rapidly growing public aversion towards this form of adventurous investment. Over the past decade net returns to the shareholders have, by and large, been less than could have been obtained from an ordinary trust company deposit account, entirely devoid of risk and with the privilege of free access to any portion of the cash at any time. If this remote attitude of the public persists, it is difficult to see how any substantial industrial development is going to be achieved in the future.

Another reason for the lagging interest in industrial investment, at least, as far as our larger enterprises is concerned, is the strong drift towards consolidation and diffusion of shareholding. Control now rests largely in the executive management through easily obtained proxy votes. Executives are more concerned with building up the corporation into an unassailable position, than with serving the immediate interests of the army of small shareholders which is generally confined to an early and satisfactory return on their investment. That policy is, of course, often in the public interest, but is not calculated to encourage investment in industrial shares.

This comparatively recent and significant drift in the industrial field is the subject of an arresting book, "The Managerial Revolution," by James Burnham, which is now in the class of "best sellers" in the United States. The author, writing in "Fortune," says, in part:

"In terms of economic institutions we are witnessing the elimination of what is generally referred to as 'private enterprise.' That is to say, the regulation of production by the market, and the carrying on of production for the sake of and in subordination to private profit. These are being replaced by state enterprise and the regulation of production by deliberate control and plan for ends other than and independent of private profit.

"In the political sphere the typical state form of capitalist society, strictly limited in the range of its interventions into human activities, with sovereignty localized in parliaments, congresses, or similar institutions, is giving way to the unlimited state form of managerial society with sovereignty exercised not by parliaments—which remain only as propaganda devices—but by bureaus, offices, commissions, executive agencies.

"Under capitalism the dominant section of the ruling class was made up of the great private capitalists who based their power upon private-property rights held in the major instruments of economic production. They are now

being ousted from rule in favour of those whom I call—using the word in a broad meaning—'the managers.' By managers I refer to those who are to-day called in private enterprise 'operating executives,' 'production managers,' 'plant superintendents,' and so on; and who are called in state enterprise 'administrators,' 'bureau heads,' 'commissioners.' In short, those who are actually managing production as it is carried on to-day. Unlike capitalist rule the dominance of the managers is not secured through their individual possession of private-property rights but by their functional role and, as the revolution advances, by their group control of the apparatus of the unlimited managerial state . . .

"The new war is or is becoming in a new sense the government's war. It is an illusion to suppose that this process has any chance of being reversed in peace. . . . But to the extent that there is peace, the problems confronting the U.S. and all nations will be even less capable of capitalist solution. Full employment? Foreign trade? Inflation? A use for idle capital funds? The prevention of utter social chaos? If peace came to-morrow, what candid observer can pretend that these can be solved—at a profit?

Indeed, I believe that the significant problem is no longer *whether* what I call the 'managerial revolution' is going to take place—if not exactly as I describe it, at least in general scheme. It is taking place, that is the truth of the matter, and there is no serious force or tendency working against it. The actual problem, for the U.S., is *how* it will take place, how humanely and intelligently, with or without terrible brutality, with how great a loss—or gain—in genuine human values. There is nothing in the nature of the managerial revolution that decrees beforehand that the purges, concentration camps, and despotism of a Stalin or Hitler can alone usher in the new form of society. Democracy too, can be revolutionary. And in deciding how the transition will be carried through in the U.S., a clearer knowledge of what is happening, of what men are actually doing, may well affect the outcome."

Mr. Burnham apparently falls into the same error as other radical thinkers, who, carried away by the glamour surrounding a few well publicized giant industries, grossly over-estimate the effect on our price level and on wages, of even completely eliminating net industrial profits. In the important meat packing industry, for example, net profits would be confined to only a fraction of a cent per unit of production. Taking aggregate industrial net earnings over a ten-year period, it is clear that they could only prove a comparatively minor factor in the social problem, which is not susceptible of any such simple solution as Mr. Burnham proposes. This, however, is perhaps a side issue and does not invalidate the revolution which is undoubtedly taking place in the actual industrial enterprises, the ultimate effect of which may easily justify the author's forecast of the passing of the influence on business policy of the large industrial investor.

## VI.

We can practically all agree that the wages of capital should be moderate, as should be the wages of labour. The United States' Secretary of the Treasury recently argued that profits on capital investment should be restricted to 6 per cent. Many now claim that capital should received no wages at all for its use. That, I think, is an absurd theory. If carried into effect, life insurance concerns, for instance, would have no adequate field for investing the policy holders' money. Few would, in fact, bother saving money and progress would come to a stop.

No one would take the risk of lending money without some compensation, when the safest place for it obviously would be a secret hole in the ground. *One effect it assuredly would have, and a most vicious effect it would be, namely, to launch society on a course of wild speculation, as the only opportunity of employing money profitably.* I think, we may dismiss the theory of "free money" not alone as entirely impractical, but also as *decidedly undesirable in its social effects.* Many writers on the subject of wages for the use of capital are fond of quoting the Bible on the subject. There is no prohibition in the Bible against interest or dividends on investment.

Under our present system of free and competitive enterprise, the profit motive is the mainspring of all human effort. The worker would speedily shift from any occupation which did not yield sufficient reward on top of a reasonable cost of living to provide a margin for recreation or saving—his profit. The industrial undertaking would face bankruptcy if its costs consistently exceeded its income. Even if the state took over all business and industry it would certainly have to budget for a profit or resort to taxation to cover its losses. The profit motive is perfectly legitimate. Upon that depends the development of industry and full employment. We should, however, draw a clear distinction between "profits" and "profiteering".

Geoffrey Crowther has some sensible observations on that subject in a recent issue of "Fortune" magazine. He says:

Perhaps the argument can be made more palatable by two distinctions of language. First, as has already been suggested, the so-called "profit" motive could better be called the "avoidance of loss" motive. It is not that the capitalist entrepreneur needs a fat yield to tempt his greed before he will move. It is not that employers will close their plants and refuse to play if their profits fall below a satisfactory figure. Indeed, once a plant is built and a firm established, it will continue to do all the business it can, even if the average return is low or an actual loss is being incurred. But the balance and equilibrium of the economic structure depend—and this is one point on which all schools of economists are agreed—on the smoothness and regularity with which the savings of the public are put into new capital equipment. The more difficult the earning of profits on existing investments is made, the greater will be the risk of loss on new investments and the smaller will be the part that anybody except the government can play in avoiding unemployment.

"Second, the rehabilitation of profits does not mean the rehabilitation of the profiteer. There is no reason why it should not be combined with heavy taxation on rich individuals. This is a point that is almost always misunderstood. There is a most important difference between preventing the emergence of large incomes by throttling profits and taxing them away when they have emerged. The first method increases the risk of loss that faces every entrepreneurial enterprise and therefore diminishes the amount of enterprise that will be shown. The second method neither increases nor diminishes the risk of loss; it merely taxes the reward of success. Both methods diminish the reward of enterprise, but the first also reduces the incentive. It is a perfectly legitimate aim for a democracy to attempt, if it wishes to do so, to abolish gross inequality of wealth. Nothing that is said here seriously conflicts with that aim. It is merely pleaded that if the method chosen for reducing inequality is such as to increase the risks of engaging in legitimate business, the community must not be surprised by the emergence of chronic unemployment."

### CHAPTER III.

#### THE LABOURER AND HIS HIRE.

We should approach our brief study of this highly vexatious subject with a due sense of its very great importance. By way of introduction I cannot do better than quote the following from the able pen of William Hard, in a recent "Reader's Digest":

"Labour is not just a national-defense-emergency problem. We can never solve it if we think of it merely in those terms and we can make a lot of hasty bad mistakes by trying to. We have to get down deeper: *labour is the basic problem of the whole modern world, all the time.*

"It was the labour groups that gave Bolshevism to Russia. It was violent reactions against violent excesses by labour groups that gave Fascism to Italy. It was middle-class groups conducting a semi-civil war against socialist and communist labour groups that helped Hitler to give Nazism to Germany. It was a fanatical fight between labour and anti-labour extremists that divided and demoralized France, that led directly to its military downfall and to the anti-democratic government of Marshal Petain.

"The labour movement is the principal social and political dynamite of our times. It begins by blasting away a part of the control exercised by management over industry. But it goes on to blast away also a part of the control previously exercised by property and money over government. The ensuing struggle for the possession of the government can reach the stage where neither side is satisfied with anything less than complete mastery. The outcome, then, is sole power by one group and finally sole power by one person—and the utter destruction of democracy. The lesson for us is clear:

*"An irreconcilable and uncompromising political battle between labour groups and anti-labour groups is the one sure modern road to totalitarianism."*

The economic struggle in the democracies is becoming more and more bitter and sordid. Instead of gradually approaching a more equitable reward for the products and services of each of the various occupational groups, we are rapidly intensifying the inconsistencies in the division of the national income. We, free and independent democrats, form occupational groups to scrap and higgie and argue about wages, hours of work, prices, relief, pensions and what not. Each mean, grasping organization out to rob the other in the sacred name of social justice. The more powerful and politically potent a group is, the more loot it collects.

Until recently we lived in an age of glaring economic futility and inconsistency. On one side, there was an over-abundance of raw material, equipment and unemployed labour. On the other, unsatisfied wants, poverty and misery. We found ourselves utterly unable to so organize our eager working forces and efficient working equipment, that all our employable citizens produce the goods they and their families needed in their daily lives. Viewed from any rational standpoint, it all added up to economic lunacy.

For a decade we had an army of unemployed workers living in idleness, fed and clothed at public expense. The direct cost of

relief was the smallest part of the social loss. The real and staggering cost was the loss of billions of man-hour labour so greatly needed in a huge undeveloped country like Canada. We saw shoemakers in need of shoes. Tailors with patched coats. Building workers living in hovels. Bakers eating the bread of public relief. Practically all of them consumed with anxiety to work—to practise self-help—and our economic system denied these more or less skilled people the opportunity to even produce the goods to satisfy their own modest requirements.

*Behind the whole preposterous set-up lies our distressing failure to organize social co-operation.* The insistence of labour organizations that all useful production must at all times be compensated with a fixed, and at that time an obviously prohibitive, wage scale, effectually prevented the utilization of idle labour even to produce their own urgent needs, or to do useful public work at a wage which would have kept them off relief.

The terrible burden of relief arising out of this deplorable state of economic cross-purposes into which we had drifted turned once valuable urban property into a liability. It destroyed the value of the farmer's chief asset, his land, which will no longer earn anything on invested capital, owing to the rising taxes, operating and living costs against demoralized agricultural prices. All these calamities have befallen our lop-sided economy without let or hindrance.

There is not the slightest indication anywhere on the social or political horizons of any intelligent effort to break through all the artificial obstructions and high fences erected by selfish and stupid groups around the sacred field of national production and employment, where no one may enter except on their anti-social terms.

The truth is that democracy the world over has "missed the boat." Orderly government by the majority, with a fine sense of regard for the vital interests of the minority and stern, patriotic devotion to national welfare is on the way out. It is being replaced by "pressure group" domination and political log-rolling. We are, more or less, in the deadly grip of so-called "international" labour racketeers, pursuing their destructive ends, without the least regard for a perishing agriculture or the welfare of other classes. The citizenry is, in fact, now a mere undisciplined mob everlastingly engaged in destructive, internal warfare for selfish gain. If democracies cannot restore order and impose discipline and a reasonable measure of economic justice, they must perish. Hitlers and Mussolinis will arise sooner or later and do the job.

## II.

The formation of urban prices is normally governed by production costs. It has been estimated by competent authorities

that on an average eighty-five per cent of the retail cost of everything passing across the counter is absorbed in payment for human services, all the way from the crude raw material to the finished article in the consumer's hands. The United States Treasury Department puts the percentage a little higher.

It is, therefore, evident that the wage level is the natural, controlling factor in prices. In spite of this obvious fact, labour seems to have convinced our governments that the level of prices should control the level of wages, a formula which will inevitably lead to spiralling of living costs. The consumer has, as a matter of fact, a vastly greater interest at stake in any wage dispute than either the workers or the industry affected. That interest is not being protected because the force of mere public opinion is a rapidly waning influence in the decisions of labour organizations and labour leaders.

After the war, no matter how it ends, we will face merciless competition from low wage dictator countries from which there will be no escape by way of any adequate tariff wall, which would be likely to receive the support of the people of North America. There will be comparatively few consumers able to pay spectacular prices. Entirely aside from the humanitarian aspect and from considerations of economic justice to all classes, we shall probably be compelled to drastically revise our interior economy. How can we meet the wage levels and long working hours of the Orient, rapidly becoming mechanized? Or of an enslaved Europe? We would very quickly discover that we have no God-given license to indulge in the world's highest urban wage and price levels, artificially maintained by protective tariffs, and infallibly strangling our "sweated" and subsidized agricultural industry. We will all have to make sacrifices and learn to "live and let live." Now is the time to face the facts.

The Japanese, according to John Gunther, has developed a system of state controlled industrialism by means of which they intend to exploit the vast labour and raw materials resources of China. Gunther tells about a visit to one typical Japanese factory. The nine hundred girls employed in the factory work from 6 a.m. until 5 p.m. for a daily wage of about 20 cents. The girls sleep and live on the premises in dormitories, six or eight to a room. They are hired by a contractor from their parents for a term of years. In five years of servitude they save probably \$80, and are then released to return to their native village to marry and produce children so that the process may be repeated. Under this system Japan can sell textiles so cheaply that it is able to pay the freight and tariff to India, and undersell not merely the Lancashire mills, but the Indian mills where labour is paid even less than in Japan! It requires very little imagination to figure out what is going to happen to our world trade, when the exploitation of China begins.

### III.

The conciliation machinery provided by Canadian legislation is absurdly defective. One member of a three-man board is elected by each side and a chairman by the government. There is scarcely ever a unanimous verdict in a dispute. The chairman takes his position with one side or the other and the result is a majority and a minority report, which lead to exactly nowhere. Common sense would seem to suggest that labour disputes should be argued before an absolutely disinterested tribunal.

The same stupid mistake has been made in the recent establishment of the "National War Labour Board" with an equal number of employer and employee members under the chairmanship of a government appointed official. This, of course, forces a decision on the chairman in any dispute before this body. The whole set-up is amateurish in the extreme. It is merely a case of "passing the buck." One experienced Supreme Court judge skilled in weighing evidence, would be more useful than this absurdly numerous body.

In dealing with war-time labour relations our government might, with profit, have followed the findings of the U.S. National War Labour Board during the last world conflict under the chairmanship of ex-President Taft, whose initial findings may be summarized as follows:

There should be no strikes or lockouts during the war.

*Right to organize.* 1. The right of workers to organize in trade-unions and bargain collectively, through chosen representatives, is recognized and affirmed. \* \* \* \*

2. The right of employers to organize in associations or groups and to bargain collectively, through chosen representatives, is recognized and affirmed. \* \* \* \*

3. Employers should not discharge workers for membership in trade-unions, nor for legitimate trade-union activities.

4. The workers, in the exercise of their right to organize, shall not use coercive measures of any kind to induce persons to join their organizations, nor to induce employers to bargain or deal therewith.

*Existing conditions.* 1. In establishments where the union shop exists the same shall continue and the union standards as to wages, hours of labour and other conditions of employment shall be maintained.

2. In establishments where union and non-union men and women now work together, and the employer meets only with employees or representatives engaged in said establishments, the continuance of such condition shall not be deemed a grievance. This declaration is not intended to deny the right or discourage the practice of formation of trade unions \* \* \* but employers are not obliged to further unionize their plants.

3. Established safeguards and regulations for the protection of the health and safety of workers shall not be relaxed.

*Women in industry.* If it shall become necessary to employ women on work ordinarily performed by men, they must be allowed equal pay for equal work and must not be allotted tasks disproportionate to their strength.

*Hours of labour.* The basic eight-hour day is recognized as applying in all cases in which existing law requires it. In all other cases the question of hours of labour shall be settled with due regard to governmental necessities and the welfare, health, and proper comfort of the workers.



**Maximum production.** The maximum production of all war industries should be maintained and methods of work and operation on the part of the employers or workers which operate to delay or limit production, or which have a tendency to artificially increase the cost thereof, should be discouraged. \*\*\*\*

**Custom of localities.** In fixing wages, hours and conditions of labour regard should always be had to the labour standards, wage scales, and other conditions, prevailing in the localities affected.

**The living wage.** (1) The right of all workers, including common labourers, to a living wage is hereby declared.

(2) In fixing wages, minimum rates of pay shall be established which will insure the subsistence of the worker and his family in health and reasonable comfort.

This sensible statement of principles and policies to govern relations between workers and employers in war industries for the duration of the war was signed by all twelve members of the conference board, which included five national officers of unions engaged in war work.

#### IV.

The right of labour to strike cannot be questioned. Any man or body of men are, in the absence of contractual obligations, at perfectly liberty to leave their jobs when the conditions of employment are no longer acceptable. But their right to enforce wage demands through acts of violence and intimidation is not so clear. There is a bloody conflict going on just now to establish the principle of peaceful negotiation in disputes and to outlaw war. It appears inconsistent to accord Mr. John L. Lewis the privilege of "hoisting the black flag" in the domestic arena while we passionately deny Herr Hitler's contention that "might is right."

If the sole objective of internal warfare is to serve the ends of justice, as it assuredly ought to be, civilized people can easily find a more orderly way, fair to everyone concerned. Having provided such very simple machinery, nothing remains but to enforce decisions through disciplining any recalcitrant group. If democracy has not the political backbone to do that any "new order" we attempt to establish will be a mere fraud. Under Federal legislation Australia now resorts to an unbiassed, judicial hearing of labour disputes with full power to make the decision final and irrevocable. It has worked very well. Employers and labour plead their cases before these tribunals upon which, needless to say, neither has representation. They are strictly fact-finding, judicial bodies. In a recent Gallup poll, 70% of the workers favoured compulsory acceptance of arbitrated wage decisions. It is hard to see how any right-minded working man could reasonably object to the same equitable settlement of his grievances as the civil law imposes upon us all.

Idle hands and idle machinery are the bitter fruits of human greed and selfishness, the determination of persons and organized, powerful groups to grab from the common pile more than is justly

coming to them, by means of insisting on higher prices, fees and wages than consumers can pay or should be asked to pay. Labour now occupies a highly preferred position in North American economy, as the following figures demonstrate:

	INDEX NUMBERS.	
	JULY, 1933.	AUGUST, 1939
Factory Wage Rates .....	80.3%	126.9%
Factory Prices .....	73.4	79.0
Farm Prices .....	60.4	60.4
Purchasing Power of the Farm Dollar....	82.3	76.3

1926 equals 100% in all cases.

Sources: National Industrial Conference Board data for factory wage rates; U. S. Bureau of Labour Statistics for factory prices and farm product prices.

It might be well for us all to do some thinking on the sensible pronouncement of Dr. Nystrom, of Columbia University, some years ago. He said: "We will come out of the (then) depression when and if we adjust our labour costs to what the public can *afford* to pay rather than to what the employer can be *made* to pay." A vast amount of economic wisdom is packed into this brief statement.

I am indebted to Dr. T. F. Donnelly, M.P., for some very interesting figures bearing on the labour situation. We have been accustomed to think of Australia as the labouring man's Paradise. Dr. Donnelly gives the following schedule of "real wages":

Year	INDEX REAL WAGE RATES (Adjusted for the cost of living)	
	Australia	Canada
1914.....	100.0	100.0
1929.....	121.4	127.9
1933.....	125.1	141.5
1938.....	127.3	151.1

It will be seen that labour has made much greater gains in Canada than in Australia. What has been the effect of these gains on the general economy of the two countries?

Year	NATIONAL INCOME PER CAPITA	
	Canada \$	Australia \$
1929.....	513	537
1930.....	424	425
1931.....	337	283
1932.....	275	244
1933.....	262	301
1934.....	293	348
1935.....	309	367
1936.....	347	409
1937.....	390	434

It is obvious that in an agricultural country a high labour cost, and its concomitant high prices, coupled with the consequent fall in farmer purchasing power must necessarily reduce consumption, and, therefore, limit production and employment, which, of

course, lowers the per capita national income accordingly. Dr. Donnelly, commenting on these figures, says:

"Our high rates of wages have brought us face to face with one of the most perplexing problems we have ever faced in Canada. The rate of wages is beyond our capacity to pay. We are carrying a high rate of wages at the expense of agriculture. How long will agriculture be able to foot the bill?"

"It would be a brave man indeed who could look at the following table of wage rates and say that the circumstances at the time justified these increases. Here are the average Canadian wages paid in a period of prosperity from 1926-1929 inclusive, and the wage rates in a period of adversity from 1932-1935 inclusive. These are not money rates. They are real wages. Wages expressed in purchasing power. Money rates fell. The decline in the cost of living was greater than the decline in money rates. The worker, therefore, received for his services a greater purchasing power in the depression than in the boom years. The rates are therefore comparable. When times are bad, business men do not raise their prices in order to increase the volume of sales, but this is precisely what Canadian labour tried. It was, however, a piece of outright folly. During this period when rates were at the highest we had the greatest volume of unemployment we ever faced. Here are the actual average workers earnings in the years given:

Boom Years		Depression Years	
	\$		\$
1926.....	1,164.00	1932.....	1,240.00
1927.....	1,197.00	1933.....	1,209.00
1928.....	1,205.00	1934.....	1,209.00
1929.....	1,210.00	1935.....	1,236.00

"What was the farmer earning in the period of depression? The answer is not one-third of what he earned in the 1926-1929 period.

"We have good labour leadership in Canada. Its attitude is sanity itself compared with labour leadership in some other countries, but it is doubtful if it can continue to hold the view that the question of unemployment is purely a Government problem and should be settled by the Government. When labour leaders demand a rate of wages which can not be paid in times of depression and can only lead in after-war conditions to a worse economic condition than we faced in 1933, then we have reached the time to call a halt. It is the labour leaders which must find the way, otherwise progress stops and we are on our way to a new depression.

"Meanwhile the effect on agriculture is deadly. We see it in every province of the Dominion. The farmers cannot meet the wages now paid to workers in the factories. Agriculture may struggle along for a time under these adverse conditions, but, in the end, lack of purchasing power on the farm and the relative high cost of production will endanger our agriculture and alter the entire position of those who try to make their living through industrial developments in the cities. Is labour going to face this problem blindly, or with courage and reason? What does industry propose to do? Is it to wait until its market is destroyed before it begins to consider remedies? One may doubt if these problems can be solved by Governments alone. We have far too many people in Canada who cry 'why doesn't the Government do something?' Meanwhile with scorn they pass by on the other side."

According to Mr. D. G. McKenzie, President of the Canadian Chamber of Commerce, the increase in national income in 1939-40 over the previous season was 585 million dollars, which was distributed as follows: Labour increase, 446 million; investment income increase, 24 million; farm income increase, 87 million; other private income increase, 31 million; municipal education and public welfare decrease, three million. This emphasizes the uneven distribution of the national income.

Before the war broke out there had, it is true, been a fairly substantial fall in industrial and other prices since 1925. Labour, however, had made no contribution whatever towards this. Industry had again and again been compelled to lower prices in order to make sales and keep their plants running. These price reductions were apparently made largely out of industrial net earnings, which were finally reduced almost to the vanishing point. I shed no bitter tears over this, because it merely reflects incapacity and timidity on the part of Canada's industrial leadership, which, early in the depression, should have forced the hour rate of wages down to a justifiable level in its own interest and in the interest of the general consumer.

*After having destroyed agricultural purchasing power and brought our railways to the point of insolvency, organized labour is now apparently in fair way of also destroying industry, its own employers,* by insisting upon a wage level which the consumer is both unwilling and unable to pay in terms of prices, but the consumer after all has the last say in the matter. There is no appeal from his decision on prices.

The countryside has been sold into virtual slavery, during the past half century by labour with its cost and price-increasing policies, by all those urban organizations fixing fees and prices irrespective of the agricultural price level. No one was there to curb and control them. Then came, as a natural consequence, economic self-destruction in the form of depression and unemployment. Even that has not taught the urban community any useful lesson. And, when we come to think of it calmly, all this is so very, very human. These people are nearly all upright citizens, kind fathers and good friends. They were merely obeying nature's greatest law—that of self-preservation.

## V.

To be absolutely frank, the situation the democracies face is that government by a duly elected majority party is passing. The "power behind the throne" to-day is no longer political. It is economic. Great pressure groups now pull the strings and all political parties must obey or face certain defeat. The new C.I.O. labour leadership is organizing every occupational group from actors to automobile workers within the "closed shop." And the new technique is to introduce the "check-off" system under which the employer collects the union dues, thus making these organizations self-perpetuating.

Within a given time these unions will have at their disposal millions of dollars available for political purposes. The increasing use of the "sympathy" strike under which whole industries can be closed over night is becoming a powerful weapon of offense and persuasion. At this writing the C.I.O. steel workers are threatening to go out on a sympathy strike and tie up all our war industries

unless the Kirkland Lake strike is settled in labour's interest. It is abundantly evident that neither governments nor employers can stand up against a pressure-group so powerful and determined. In plain English, democracy becomes a screaming farce and the franchise utterly useless.

No political party can ever be elected which would have the ghost of a chance to break the shackles. The only occupational group numerically strong enough to do so is agriculture, but Canadian farmers have never shown the least indication of any ability to form a strong, cohesive group for political purposes, even to protect their own shockingly neglected interests.

It was a similar situation which paved the way for Hitler and Mussolini in Germany and Italy. Their first important public action was to ban labour organizations and fix wages and working hours by decree. They seized power in both countries with the co-operation and support of the moderate and financial sections of the community which they presently repudiated, and thus was laid the foundation for the world war and all the destruction and misery we are now witnessing.

It is idle to make even the faintest guess as to the future course of events. Whatever the shape of things to come, it is certain that they will follow substantially parallel lines in the United States and Canada. These countries do not furnish fruitful soil for the growth of dictatorships. It is equally difficult to see how unhampered democratic rule can be restored.

One thing, however, is certain. No "new order" worthy of the name can be inaugurated unless and until means are found to curb the activities and influence of selfish pressure groups. Economic justice to all sections of the community cannot be attained with government functioning under duress.

The people of the United States recently faced a general railway strike tying up completely the most important and indispensable public utility from the Atlantic to the Pacific. With the exception of the maintenance-of-way section, these men are the most highly paid and pampered workers in the world. The engineer of a crack eastern train works only ten days monthly but makes \$349.60 because of his mileage total. Yet they demanded a full one-third increase in wages, which the railways—most of them still in receiver's hands as a direct result of an extravagant wage cost—obviously could not pay and exist. And this in the midst of virtual war conditions. This situation adds up to revolution, anarchy. These rapacious, strong-arm labour leaders are apparently bent on utterly destroying the very fountain of their employment. As we go to press the strike has been settled in the orthodox way. The men get increases amounting to about \$400 million a year, which the wretched railways must in some way find or become insolvent. Where is the virtue of a high wage level when it only leads to further exorbitant demands?

## VI.

"Racketeering" direct by labour unions is beginning to get into the "big money" in the United States, and it will cross the line into Canada in due course. Thurman Arnold, of the U.S. Department of Justice, states some interesting cases: At Fort Meade the Steamfitters' Union admitted only six new members during the peak of construction; thus the favoured few on the inside were able to work overtime at double pay, earning \$150 a week. The electricians, instead of admitting new members, levied a daily fee of \$1 or \$2 per man for a working permit. The carpenters went to the other extreme, taking into the union a mass of untrained and incompetent men bound to be discharged soon after paying their admission fees. The New York Times reports that the union "take" from the source was over \$400,000.

Some unions have such high admission fees that it is almost impossible for the average man, no matter how well qualified, to join. The truckers in Seattle, for instance, charge \$500. The Motion Picture Union in Cleveland grabs \$1,000. And the Glaziers' Union in Chicago demands a cool \$1,500 for the right to work. No worker, however well qualified, can obtain union membership without putting up these exorbitant fees. The unions thus become "close corporations."

The unions moved in on the New York World's Fair and bled it for all it was worth. In the process they managed to pile up unnecessary labour costs estimated at \$4,000,000, to spread international ill will among foreign nations.

The "racketeering" of labour leaders is an old story. William Bioff, A.F.L. boss of the motion picture unions, was recently indicted in New York, charged with extorting at least \$550,000 from Paramount, M-G-M, Twentieth Century-Fox and Warner Brothers under threats to foment strikes in theatres throughout the nation. The Government charges that about \$400,000 was collected in 1936 alone, in bills of \$1,000, \$500 and \$100 denominations, by Bioff and George E. Browne, president of the I.A.T.S.E. and a member of the Executive Council of the A.F.L. Bioff drew 10 years in penitentiary.

## VII.

Cost increasing union rules is an old story. Canadian industry is honey-combed with it, more particularly our railways with the notorious "feather-bed" rules. The teamsters in New York decided that every truck entering the city must take on an unnecessary man who gets \$9 a day for doing no work. That's why it costs \$112 more to distribute a carload of vegetables through the Manhattan market than in neighbouring regions free of labour exploitation. This idea was too good not to be imitated by unions all over the country. Electricians' unions in various cities insist that a full-time electrician be hired on any construction job using

temporary power or light. Frequently he spends his day playing solitaire; his "work" consists of pulling a switch one way when he arrives, the other way when he quits. Many operating engineer's unions will not allow a man to be hired for less than three days; if his employment exceeds that period he must be hired for a whole week.

To milk dealers in New York who are willing to furnish milk at lower prices by keeping depots open only an hour and a half a day, the union says "No." Dealers must hire a full complement of labour full time, or shut up shop.

These "middleman" unions likewise stop improvements in materials and methods. Consider what the Hod Carriers' Union is doing in Chicago. To mix concrete mechanically at a central plant and carry it to the job in trucks with revolving mixers improves quality and cuts down building costs—and subsequent rentals. But the Chicago hod carriers refuse to allow use of truck mixers.

In Belleville, Ill., unions have been indicted with dealers and contractors for preventing the building of houses with prefabricated structural parts. In Houston, Texas, plumbers insisted that pipe made for particular jobs would not be installed unless the thread were cut off and a new thread made on the job. In Chicago, sash, frames and screens must be primed, painted and glazed on the job. Plumbers and electricians in other places insist that pipe cutting and wiring must be done on the job—more expensively than at the factory. Painters' unions in many districts will not permit the use of spray guns; brushes make more work. Similarly, in Washington, D.C., machinery must not be used to cut wire or thread pipe.

We find then that the unionization of labour, instead of contributing to higher industrial efficiency, is, as a matter of fact, forging shackles on industry in terms of greatly increased operating costs by imposing working rules, necessitating payment for utterly useless additional labour, thus raising prices to the consumer and defeating the sole useful objective of increased mechanization. This reactionary policy is a crime against society and should not be tolerated in a progressive country. Its effect on our prospective "new order" must be to lower production and consequently the general standard of living. How long would such sabotaging activities be countenanced in any of the totalitarian countries, or even in Great Britain?

## VIII.

The "closed shop" agitation carried on by the C.I.O. unions in Canada, would invade the sacred precincts of democratic freedom and would be followed by an all-powerful labour "czar" before whom politicians would tremble. The closed shop finds small public favour, as disclosed in popular polls. In fact, an increasing sentiment is appearing against forcing men to join unions to hold their jobs. A poll taken in the United States in June, 1937, showed a

28 per cent vote in favour of the closed shop. Two years later the percentage was 23. Now it is 13. The United States' Chamber of Commerce has this to say on the right to work: "We hold that the right to work or to refuse to work is one of our great freedoms, to preserve which right the nation is arming itself. Governments,—local, state and federal—have a first duty and responsibility to protect the citizens in this right to work—while at work—on their way to and from work—in their homes and in all ordinary legal pursuits of their private life. We believe in the right of an individual to refuse to work and the right of a group to strike. But under our present national emergency, we deplore any such action based upon an unreasonable demand or a debatable cause.

"No right guaranteed to the individual under our Constitution is more sacred and fundamentally important than the right of the individual to work and earn a living. This right exists whether he belongs to a union or does not belong to a union. It is a—**FIFTH FREEDOM**—quite as important as any of the freedoms, including the four freedoms of worship, speech, the press and assembly. We firmly hold that if our established form of government is to endure, it must not permit or assist any group of its citizens to force others to surrender their guaranteed rights and freedoms.

"We would be derelict in our public duty if we did not point out the danger inherent in the recent policy of public officials in bringing pressure upon directors and stockholders to remove anyone in management as the price of subduing labour violence.

"If violence is subdued by the action of governmental officials in turning the situation over to those who are threatening or causing the violence, then government has ceased to function properly, and the continuance of our American way of life is in grave danger."

It is obvious that a "closed shop" is a decided advantage to the union boss. It means no man can work unless he joins the union and pays his dues. The "check-off" is an even greater advantage. It requires the employer to deduct union dues from wages, and pay them over to the union. The benefits to the workers themselves are not so apparent. Consequently, a strike where the closed shop or any form of the check-off is the issue is likely to be more desired by the union bosses than by the rank-and-file members. So, also, with "jurisdictional" strikes, where the question is merely which particular union shall prevail.

Mr. Arthur W. Hawkes has the following to say on the closed shop issue:

"I hold that the closed shop issue transgresses the rights of our individual citizens as guaranteed by the Constitution of the United States and that it is monopolistic in every sense of the word.

"I contend now, as I have contended for a number of years, that the closed shop issue is as much opposed to the real interest of labour as it is to the interest of capital and that it is opposed to all the fundamental American principles, which have made this country great in years gone by.



"The closed shop issue, in its finality, will be settled by public opinion and it is the duty of every man engaged in business and industry in the United States to see that the public is honestly and intelligently enlightened in connection with what the closed shop issue means—then let the American people decide it, because, after all, public opinion is the only master in a representative democracy. The closed shop issue is not necessary to keep national labour organizations alive.

"I make the prediction to labour that if it persists in its closed shop demands and has the power to enforce them upon the American people—such action will be the destruction of management—the final taking over of private enterprise by the State, and the withdrawal from labour unions of all the gains and rights and privileges they have accumulated for themselves during the last 75 years.

"Let capital and labour find a way to bring about a fairer balance in the distribution of the fruits of their common effort, but let them not violate and destroy the fundamental principles upon which their individual and mutual success depends."

Dorothy Thompson's thoughtful observations on labour relations are worth studying. She says:

"The closed shop gives trade-unions immense power. It makes union membership compulsory, and inasmuch as it is invariably combined with the check-off system under which dues are collected for the union by management, out of the workers' pay envelopes, it involves compulsory taxation.

"This gives the union organization an immense club over the workers, for they cannot express their opposition to union policy or officials either by resigning from the union or withholding their dues. They cannot strike against the union. And once the closed shop is instituted it is almost impossible to revoke it.

"There are some practical arguments for it in the possibility it offers of stabilizing employer-labour relations. But one thing is obvious, if we are arguing from principle and not from prejudice: no closed shops should be allowed except where the responsibilities of trade-unions are regulated by law, for no private organizations should be allowed to exercise that much power except in conformity with a code of fair practices. There can be no groups in the country that are above the law and above the community. The very fact of the growing power of unions demands that they accept social disciplines.

"To compel any person to work against his will is slavery, and legislation prohibiting the right to strike should be avoided even for a period of emergency. But to compel a minority to strike against its will is tyranny, and the protection of the rights of minorities is an essential of democratic government. Actually, in trade-union practice, a minority often compels a majority to strike. Leaders who make demands on management without previous consultation with the rank and file, can and do produce situations of deadlock where mere face-saving for the union officials seems to demand a strike.

"In the long run, if any class acquires disproportionate power by means of organized pressure, and uses that power against the public weal, then all the other classes will gang up against it, as the experiences of Italy, Germany and France have shown.

"And there is one thing that is a rule of social reactions: If the incompetent attempt to paralyze the competent, the competent will revolt. No group can extort from society more than its contribution justifies. Wealth is neither the creation of the proletariat nor the financiers. It is the creation of a complex productive system in which capital, science, technology, rational management, labour and public relations all play a due part, and this is as true under socialism as under capitalism."

In his annual message to Congress on December 2, 1919, President Wilson discussed the rights and obligations of minority groups. He summed the subject up very lucidly in the following paragraph:

"The right of individuals to strike is inviolate and ought not to be interfered with by any process of government, but there is a predominant right and

that is the right of the government to protect all of its people and to assert its power and majesty against the challenge of any class. The government, when it asserts that right, seeks not to antagonize a class but simply to defend the right of the whole people as against the irreparable harm and injury that might be done by the attempt by any class to usurp a power that only government itself has a right to exercise as a protection to all."

## IX.

The fact is that we need an entirely new line-up in labour legislation. As Dorothy Thompson, the able 'columnist, aptly puts it, "unlimited privileges and powers have been granted to labour unions, without any definition of obligations or requirements of standards. Privileges so granted become rights in the minds of the recipients, and it is thereafter extremely difficult to curb or abridge such rights." In Great Britain, labour unions are legally responsible institutions and compelled to live up to their contracts. The courts there have imposed penalties running up to thousands of pounds in several instances. In North America, on the other hand, these organizations are largely exempt from responsibility for their actions.

In Great Britain, registration of a union is effected by application to the Registrar of Friendly Societies. To qualify for registration a union must have rules setting out the objects of the organization, modes of amending the rules, provisions for appointment of officers, etc.—i.e., provisions similar to articles of incorporation. Registered unions are required to make an annual statement to the Registrar of Friendly Societies. This statement must show the union's assets and liabilities, its receipts and expenditures for the year preceding the date of the report, and shall show separately the expenditures for the union's different objects. Penalties are provided for false statements, and for failure to make the required report.

In 1927 the picketing provisions were amended so as to make picketing for certain purposes unlawful where the person or persons attend in such numbers or act in such a manner as to be calculated to intimidate any person in the house or place being picketed, or to obstruct entrance to the house, or to lead to a breach of the peace. "To intimidate" is defined "to cause in the mind of a person a reasonable apprehension of injury to him or to any member of his family or to any of his dependents or of violence or damage to any person or property." "Injury" includes injury to one's business, employment or other source of income.

The importance of the British Act of 1927 which now applies is as follows:—

1. Trade unions are fully responsible under the law.
2. Their funds are public and must be publicly reported.
3. Racketeering is impossible.
4. The corrupt use of a strike fund is impossible.

5. The courts of the country determine whether a strike is legal or not.

6. Membership in a union cannot be made an obligation for employment.

7. The relations between capital and labour are determined by the individual employer and his own workers.

8. The trade union is recognized as a legal body and as such is protected by law, but it also assumes full obligations and responsibilities under the law.

The trade union movement in Great Britain and Northern Ireland is stronger than is the American Federation of Labour in the United States. In 1933, it could report nearly 4,500,000 members. It enters upon collective agreements, usually dealing with wages and hours. Disputes are comparatively rare, and are usually over wages, seldom over such a question as the recognition of a union. The machinery for settling disputes is very elastic and usually a voluntary settlement is achieved. The workers and employers generally come to terms without outside intervention.

The entire trade-union structure in North America has been organized on the theory that there shall be no responsibility at any point. The A. F. of L. can dodge responsibility because in theory it is a sort of clearing house for autonomous international unions. The international unions, which simply means Canada and the United States, are unincorporated bodies with rules and regulations which are not in any manner under governmental or juridical control or even scrutiny. The C. I. O. in the United States and Canada is a revolutionary body, an enemy of democracy, law and order and a menace to the best interests of the worker. Its aims are incompatible with a "new order."

When a labour leader in North America sits opposite an employer in a discussion over the terms of an agreement, the two sides are not evenly matched. Labour undoubtedly is in the stronger position. The employer represents property which can be attached by a judicial decision. Against him and his corporation a judgment is likely to hold. He can be sued and, should he lose his suit, damages can be collected. Should a strike be of long duration, plant overhead reduces his profits or may wipe them out. In some commodities where competition is very active, outlets once lost may never be regained. Labour is in altogether a different position. The union, which the labour leader represents, is not incorporated. Its officials cannot be sued for the damages which fall upon capital as a result of a strike. When an agreement is signed with a union, it can be broken by the union at will without recourse.

The late Mr. Justice Brandeis, more than thirty years ago and long before his appointment to be a Justice of the Supreme Court of the United States, used these highly significant words:

"This practical immunity of the unions from legal liability is deemed by many labour leaders a great advantage. To me it appears to be just the reverse.

It tends to make officers and members reckless and lawless, and thereby to alienate public sympathy and bring failure upon their efforts. It creates on the part of the employers, also, a bitter antagonism, not so much on account of lawless acts as from a deep-rooted sense of injustice, arising from the feeling that while the employer is subject to law, the union holds a position of legal irresponsibility."

## X.

What are we going to do about it? Not long ago, Mr. J. B. Priestly, the noted British author and radio commentator, said:

"We must move one way or the other, towards a truer conception of a political and economic democracy, or towards something that will not be called Fascism but will be horribly like it. We cannot come out of this tremendous conflict with the same set-up that we took into it. This simply cannot be done, either one way or the other."

I thoroughly agree. Discipline must in some way be imposed, voluntarily through enlightened self-restraint or forcibly by depriving the citizen of liberties which have degenerated into unbridled license.

Labour's single aim is evidently, through militant organization and political terrorism, which no government can or will resist, to exploit all other classes in the community, utterly regardless of the grave economic and social consequences. Orderly government becomes impossible under any form whatsoever, in the face of highly organized internal warfare. Appeasement apparently only leads to further demands, and it is obvious that sometime or other these must be resisted or we will ultimately land in chaos. Government is helpless. The alternatives are: Dictatorship. Or, our hitherto incomprehensively sluggish and inert industrial and business interests must organize comprehensively in self-defence, as they did in many European countries years ago under the same threat, and fight their own battle.

Paul N. Norgren, Professor of Economics at the Worcester Polytechnic Institute and now attached to the office of Production Management in Washington, has studied the Swedish methods in dealing with labour problems on the spot. While conceding that parts of the system are not applicable in North America, he feels that a great deal of the Swedish experiences could be utilized. He particularly stresses the fact that *in Sweden both employers and workers are nationally organized and can therefore bargain collectively on a nation-wide scale.*

The vital question in the whole problem of social improvement is how to bring home to every member of the social organization the fact that the welfare of each depends upon the efficiency of the organization as a whole. Because men do not understand this we have the tendency for society to break up into groups and blocks and unions and ententes, whose energies are devoted mainly to antagonisms, until the advantages of the whole system of specialized industry is in large degree lost. It is a fair statement

that, on the whole, the enormous social gains which should have followed mechanization and the industrial revolution, in terms of lower prices to the consumer, and even higher returns to industry, have utterly failed to materialize. Labour has absorbed the lion's share of the saving, and the balance fails to cover the astronomical increase in the cost of distribution. The whole economic picture is one of complete frustration.

The truth is that it requires a higher order of citizenship, a higher sense of social obligation and responsibility to be a citizen of modern society than it did to be a member of primitive society. There is more gain for the members of any group or class in promoting the efficiency of the organization as a whole than in attempting to promote the interests of their own group by means which impair the efficiency of the whole. There is, in fact, a huge educational task to be accomplished before any "new order" imposed upon a democracy can succeed.

More than one-quarter of our population derives its living from the wage pay-rolls. It is clear, that the purchasing power of this important group is of grave concern. It must, nevertheless, be recognized, that even so numerically important a class cannot receive an unduly large proportion of the income derived from production, without depriving the other three-quarters of purchasing power in terms of higher industrial prices. *It is, by the way, well to bear in mind, that the crisis of the 1930's arose when the industrial wage level was at its highest peak. That did not save the situation. There is, in fact, no salvation in high wages.*

The trouble in the past has been that certain occupations have been paid liberally, while many workers, the farmers and farm labour for instance, have been labouring at starvation wages. High wages for everybody will mean high prices for everything, for the price of what we buy is measured almost entirely by wages. If we have high wages we have high prices; if we have low wages we have low prices. What we really want is uniformity of wages—a definite dependable return for workers in the form of wages or profits. What we must keep in mind is the imperative necessity of avoiding favouritism. It should either be high wages for everybody or low wages for everybody. Uniformity of wages is what will insure the good things of life for us all, for the scale of wages regulates the price of everything we buy.

Labour should realize, that there is no hardship in lower wages in a low price economy, and that its best interests lie in steady employment at a wage yielding a satisfactory purchasing power. The mere money rate of wages in itself has no particular meaning.

## XI.

It seems to me that democracy is definitely at the jumping-off place. If, owing to fear of political consequences, democratic government is too weak to effectively discipline powerful pressure

groups for the protection of society, ending rapacious exploitation, it must yield place to some other form of government less dependent on popular support. Even soul-destroying communism would be preferable to government under the heel of an irresponsible labour—or any other—aristocracy.

To sum up: The interest of the consumer—that is all of us—is always of paramount importance. The claim to preferred treatment by labour is only secondary. This is how the wage question looks to me:

(1) Increase in the wages of labour based on an increase in individual, manual production efficiency is just as legitimate and advantageous socially as increases in farm income, due to larger crops and higher world prices. It increases production at no increased cost. It is, therefore, entirely just and fair.

(2) Increases in wages based on providing superior mechanical equipment, and consequent increased output per worker, is in a different class. Increased output per worker is now said to stand at an average of 90 per cent over that of the year 1900. Capital must assuredly receive a substantial part of this gain to compensate it for the additional investment and risk, otherwise there would be no progress. *The balance available should undoubtedly go to the consumer in terms of lower prices.* Unless it does there is no social gain whatever in industrial mechanization. Labour is not entitled to participate as it has made no contribution to the more economical production.

(3) Arbitrary increases in wages by the simple expedient of increasing prices to the consumer, is merely a transfer of purchasing power to the labour group at the expense of all other groups. As it does not add one iota to aggregate production, such a gesture has no social value whatever and is moreover highly objectionable. It penalizes the farm and other groups.

(4) Increase of the wages of labour to be financed out of industrial profits also has no social effect. It merely transfers spending power from the shareholders to the workers, which may, of course, in many cases be desirable, particularly where labour is obviously under-paid and the industry is prosperous.

(5) The demand that labour be permitted to participate in industrial profits would not be rejected by many employers, providing labour would also be called upon to participate in losses in terms of lower wages during periods of stress. The rule must obviously work both ways.

Bastiat, in his "Economic Fallacies" gives the following sound advice: "Treat all economic questions from the viewpoint of the consumer, for the interest of the consumer is the interests of the human race." *The consumer is the ultimate employer.* When, as a result of too high hour-rates of wages, prices rise unduly, the consumer, either by choice or through necessity, curtails his pur-

chases. Then comes abnormal unemployment. *High wages is the creator of unemployment.* Our Royal Commission, which gravely and labouriously inquired into the cause and cure of unemployment, apparently did not discover, or at least divulge, that simple, but very important truth, which is probably all there is to the allegedly insoluble unemployment problem.

## XII.

It is encouraging that there are those in responsible positions within the labour movement who perceive the danger confronting the cause of unionism and who are not afraid to express their opinion. The following, from an article by Mr. Allan Meikle, President of the Canadian Federation of Labour, in a recent issue of the "Labour Review," is of interest:

" . . . . It is thus up to the Canadian worker to defend and retain those things for which he has fought and sacrificed along the years. In this moment of grave national peril he must guard these hard-won advantages more zealously than ever, must see to it that his hands are clean, that he continues to deserve the support and esteem of citizens in all walks of life.

"Organized labour cannot stand by itself alone. It can develop and continue to exist only with the consent and understanding and good will of *all the people*. If it stands and fights for those things which are honest and reasonable and in the best interests of the individual and society as a whole, then it will continue to receive the wholehearted support and approval of the nation.

"If, on the other hand, organized labour seeks to become a law unto itself, if it seeks to lift itself hand over hand to a place of false power and influence by calling upon the undisciplined and disruptive forces of disunity and discontent, and by contravening all the common principles of decency, honesty, and fair play; if it fails to accept its rightful responsibilities and stoops to the tactics of the gangster and the mercenary, then its continued existence is, indeed, gravely imperilled."

Mr. Meikle has evidently read the "hand-writing on the wall" and is seriously disturbed by labour excesses south of the line, some of which have been brought across the border and others will presently follow.

If in spite of the inability of our governments to discipline such a powerful pressure group as organized labour, we still contrive to retain intact our democratic institutions, as a last resort we should have to pin our hopes for an orderly economy by persuasion. On this point a recent editorial in the "New York Times," says, in part:

" . . . . They were reinforced by the votes of men who know that labour unions are here to stay, who hope that time will give them a sense of responsibility commensurate with their strength, and who believe that the vast majority of their members wish them to be honestly, democratically and patriotically managed. These men, with the unquestioned backing of a large section of public opinion, demanded an assurance that henceforth no private group of any kind should be able to blackmail the nation in its hour of need.

"The issue was critical. Severe restrictions on the right to strike lead toward fascism. We cannot coerce individual workers in a struggle for democracy or the struggle loses meaning. The union member must of his own free will put loyalty to his country, if a choice has to be made, above loyalty to his union

officials. He must learn the simple and terrible lesson if the country's cause is lost, the union goes down with it. It was President Roosevelt's duty to make this truth plain. We believe he delayed too long, but he has at last done so."

The U. S. Secretary of Labour at a recent labour convention in Seattle said:

"It is of extreme importance that the trade-unions develop in the future a pattern of self-imposed discipline. . . . American trade-unionism, in becoming an established American institution, has implicitly accepted certain definite social responsibilities, and its policies in the future must be predicated not only upon the welfare of its own members, but the welfare of all the people."

While these sentiments may be largely based on wishful thinking they deserve the approbation of all right-minded people. Nevertheless, the integrity of our whole economic system depends upon finding some solution to the impasse we have reached in industrial relations and no approach, however flimsy it may appear, can be ignored. When the public interest is gravely at stake in a democracy, remedial action with the strong hand of government behind it is clearly indicated. When it falters and fails with a clear issue before it, democracy is in danger. Most of us would agree with William Henry Chamberlain, where, in his recent book, "The World's Iron Age," he says: "Liberty, if not balanced by discipline, whether imposed from within or without, carries seeds of disintegration, for individuals as for nations."

It cannot be open to serious doubt, that no "new order" will be worthy of the name, unless its authors can discover and apply a workable formula, which will ensure to labour the concession of all its legitimate claims and, at the same time, purge our public life of political blackmail and protect the consumer against strong-arm aggression and exploitation. This will be the hardest nut for the sponsors of the "new order" to crack.



## CHAPTER IV.

### OUR SWEATED AGRICULTURE.

At the outset, let us all clearly understand that agriculture is a highly technical, skilled occupation. It is merely ridiculous to suggest that the farmer's hour of work, translated into the value of food products, is not worth at the very least as much as that of the most highly paid trade-unionist. The famous author and social student, George Bernard Shaw, has this to say on the subject:

"We expect each farmer to be able single-handed not only to plough and hoe, to reap and sow, but to be an agricultural chemist, a veterinary, a biologist, a machinist, a live stock expert, and accountant dealing with complicated costings, a statistician, a man of business skilled in buying materials and selling products, an up-to-date reader of Lord Bledisloe and the scientific investigators and an expert in half a dozen other capacities utterly foreign to his antecedents. And his mere reaping and sowing keeps him working in his shirtsleeves for sixteen hours a day to pay his rent and mortgage interest besides keeping himself and his family fed, clothed and lodged."

This competent and versatile paragon is the man a grateful nation expects to work for ten cents an hour (if he is moderately lucky), while such obvious supermen as our festive bricklayers are deemed entitled to collect a dollar and a half an hour for their invaluable services to mankind. Modern society appears to have completely lost its sense of proportion.

## II.

Some time ago the late Lord Stamp, a director of the Bank of England and Great Britain's foremost realistic economist, in discussing the root problems of the farm, and the notorious universal agricultural decadence, laid down this significant axiom: "That the world, as a whole, and over a given length of time, has almost certainly been fed below cost price for the last century, if one takes into account the proper elements of cost." Importing countries, anxious to preserve fairly balanced domestic price relationship, can, and promptly do, safeguard their food producers by import quotas, bonus payments and high tariff. Exporting countries—generally even more dependent on maintaining agricultural purchasing power—face a vastly more perplexing problem. The acute distress of agriculture dates from the period when white society emerged from a condition of scarcity to one of food abundance. Assuredly, the sponsors of the "new order" face a vastly difficult task in attempting to build a new economy which would solve the century-old agricultural problem.

The alleged world food "surplus," which has been used to hammer down farm prices, is entirely artificial. There are, in round

figures, 2,000 million people in the world and 2,000 million cultivated acres of land. Approximately one acre devoted to grain feeds one person for one year, but it takes three acres for one person for one year if the diet includes a fair amount of meat and dairy products daily. It follows that, if 500,000,000 people have a three-acre basis for food, the other 1,500,000,000 people have only one-third of an acre per person for food, a starvation quantity. Actually the amount of acreage per individual varies from 10 or more acres for extravagantly fed people to less than half an acre for those on a semi-starvation diet of potatoes, roots and cereals with some beans for protein. Even if only 200,000,000 people had a three-acre standard the remaining 1,800,000,000 people would have to exist on a two-thirds of an acre standard, which is very low. We obviously cannot have an adequate diet for the white race and also for the native races of Asia and Africa.

Fierce criticism has been levelled against the western farmer in respect to his consistent "soil mining" operations. The explanation of this suicidal practise is very simple. The history of the past century shows a violent rise in urban wages, cost of services and of industrial products, with agricultural prices generally, remaining stationary or actually receding. This trend, which greatly raised the urban standard of living, has demoralized agricultural purchasing power the world over.

The exploitation of soils is by no means confined to the American continent, nor to new countries. The older civilizations in Europe and Asia have also fallen victims to the destructive practise on the grand scale and not from choice, but in obedience to necessity, which knows no law. It was a case of self-preservation. *The farmer the world over has for almost a century been in the same position as the industry unable to sell its products at a high enough price to set aside reserves for depreciation and obsolescence of equipment. In the end such a business set-up leads to destruction.*

Aside from brief periods of war and war prices, farmers have not for generations been in a position to permit any part of their land to lie idle and rest and to spend enough money on the labour and materials required to maintain their soils in good tilth and to adopt erosion preventive measures owing to the prevailing low food and fiber prices. Broadly speaking, their entire income has been needed to live and continue operation. No margin has been available to conserve soil resources and thus to ensure the permanency of their occupation.

*This alarming situation constitutes a major crime against human society.* If we have not yet reached the point of seriously diminishing crop returns leading to general scarcity of food, it is solely due to the fact that science has worked overtime trying to avert such a calamity by various means within the low purchasing power of the man on the land, and to the bringing into production enormous areas of virgin lands in new countries. This has helped to stave off

the evil day, which, however, is bound to overtake us sooner or later. The "new order" cannot overlook a comprehensive soil conservation policy, based on the financial ability of agriculture to practise a rational cultural system.

### III.

It is difficult to forecast the probable trend of important economic events following the termination of the present war which may have a bearing on our domestic economy. For instance, the prosperity of British industry in more recent times was built largely on a moderate wage cost rendered possible only by cheap food. For upwards of a century Great Britain—that tiny island with so limited a population—has actually been the world's great food market. Every continent, every country in Europe has for many years poured its surplus food into British ports. There is, according to the eminent statistician Mulhall, no country of Europe where the people have been so well fed and at so small a cost as in Great Britain.

Those halcyon days, however, are now numbered. Cheap living there will soon be only a memory. The British people, wallowing in oceans of food produced elsewhere, and generally purchased at prices well below the actual cost of production in the depressed overseas agricultural export areas, neglected their domestic agriculture. They were sold on cheap food and gigantic industrial development. But two great wars within 25 years, during which the fate of Great Britain hung on maintaining a precarious lifeline of food supplies from overseas, have administered a lesson which will never be forgotten. She is now proceeding, at prodigious expense to raise most of her own food which she is, in fact, quite able to do—at a cost.

The repercussions from this policy are two-fold. First, with higher living cost and, presumably, higher wages, British industry will face almost insuperable difficulties in meeting world competition and providing foreign exchange for the payment of food. Secondly, our farmers, now at their wits end to find markets abroad for their unwieldy surplus production, may presently be deprived of their best customer, which would be a major calamity and would greatly complicate the apparently unattainable objective of fitting our decadent agriculture into any picture of general, national prosperity.

### IV.

The world-famous economist and statistician, Roger Babson, in a recent press release outlined the economic problem of North America in his usual pithy style. He said:

"Eggs would sell at \$2 per dozen, milk at 60 cents per quart, steak at \$3 per pound if all classes of labour were paid as much as building tradesmen receive. I estimate that the cost of food would be four times higher than current prices

provided everyone taking part in its production were paid the high wages received by painters, carpenters, bricklayers, etcetera. I earnestly hope that farmers will never organize and ruthlessly boost their prices. But giving union workers a little of their own medicine might bring labour to its senses!

"America's economy is made up of two almost equal parts—agriculture and industry. These two components must be in balance if we are to have continued prosperity. To-day the two are far out of balance. The wages of the farmer (his prices) have fallen back to pre-war levels.

"Frankly, I cannot understand why we are giving up the principles which made the United States and Canada big and great—namely, a free market for labour and commodities—including farm products. The present demand for fixed prices, pegged pay scales, guaranteed security, and the like will eventually ruin the United States unless we return to a free and unregimented economy. I am number one advocate for a return to the 10 commandments with free markets and free enterprise. Let nature take her course. She can do a far better job in correcting our troubles than can any man-made laws or man-made unions!"

The drift of Mr. Babson's argument is, that we should wipe out all special privileges. The law of supply and demand should be the final arbiter. The farmer would take what he could get for his products in the open market. Labour would work for whatever wages they could obtain; the efficient worker would naturally get higher pay than the inefficient. There would be no unions to fix arbitrary wages for good and poor workers alike. All price-fixing would be illegal. *The consumer would determine prices in accordance with his ability and willingness to buy. That is undoubtedly how the Good Lord intended this world to be organized.*

Mr. Babson's remedy, however, though absolutely sound in principle, involves such sweeping changes in our economy that it must be regarded as entirely impractical and politically impossible. That, I fear, constitutes another severe headache for the enthusiastic sponsors of the "new order." To quote from a thoughtful article of Mr. Crowther, in "Fortune":

"But a Democratic Order needs to be something far more democratic and inspiring than a mere tidying up of social security. Indeed, there are two ways in which the idea far transcends this limited horizon. For one thing, social security has never yet been more than something grafted onto a fundamentally alien system. For example, the whole food industry, from seed to table, is moved by the incentive of private profit; social security merely provides (when it does anything about it at all) that the underprivileged shall have enough money to pay the prices set by private profit in free competition. Education, which in the U. S. is no inconsiderable industry, is not organized to make profits; it is organized to provide education. What is here proposed is that the provision of enough food for the people, instead of being a last-minute modification of a system whose main motive is quite different, should become the chief and deliberate object with which the whole food industry, from the farmer to the retailer, is organized.

"When the problem of food supply becomes really acute, as in a beleaguered island at war, the simple principle is very quickly grasped. In Great Britain to-day the farmers are being ordered what to grow, and government money is being used to see that they do not suffer by obeying. The government is deciding what quantities of food shall be imported. The whole food supply of a large nation is being bought by the government and sold by it to the people, some commodities at a profit, some at a loss, some in effect at different prices to rich and poor. This is being done because it is the best way to ensure sufficiency for all and to prevent scarcity resulting in unfairness.

"Already, in peacetime, governments all over the world have interfered with the free play of the profit motive in the food industries. There is hardly a country

in the world where the farmer is not paid, out of the public treasury, something more than the market price of what he grows. And in a large number of countries—the U. S. and Great Britain among them—various measures have been taken to reduce the cost of food to the poor. (Note.—In U.S. under the "Surplus Marketing Administration.") In short, it has already been recognized that free profit-motivated enterprise is not a satisfactory formula in this largest of all industries. Why not get the full advantages of the alternative formula? Why not frankly recognize that the feeding of the people is by far the most important element of economic activity, that the government must assume responsibility for it? Why not reorganize it according to the principles of Order, following some incentive other than the earning of profits?"

If we must conclude, that our agriculture, as a matter of practical politics, cannot be given a parity basis with other occupations, perhaps Mr. Crowther's suggestion is a way out of the impasse. A "new order" which fails to place agriculture—our most important industry—on an economic level with other occupations will not easily be tolerated. If the political obstacles to a properly balanced economy are too great to be surmounted, the industry must be dealt with on a consistent subsidy basis, as indeed it is very largely at the moment. If such an organization can be tied in with the intelligent distribution of food to the public it might solve one of the greatest problems facing the guarantors of the "new order."

On the subject of subsidies to farmers, the editor of "The Farmers' Weekly," of London, Eng., discussing the proposed subsidy there for the purpose of increasing the wages of farm labour, takes the opposite stand. He writes as follows:

"Where can that money come from? There are three alternatives: first, out of the prices received for farm produce, which is the obvious and straightforward way of finding the money. Secondly, out of taxation and in that case either as a subsidy to consumer's prices, or as a subsidy on farm wages. Subsidized wages would still hide from the man-in-the-street the true facts of what is really happening. Would it not be infinitely preferable for the consumer to know that unless he pays more for his food, the farm worker (whose cause he generally champions) cannot have a higher wage?"

"A subsidy for wages only dodges the issue, and, more serious still, farmers would be made the scapegoat. When coal miners get a rise, it comes out of the price of coal. When railwaymen's wages go up, the money comes out of the price of rail transport. When farm workers get a rise it should come out of the price of food. Higher wages made possible through higher prices for food, imply a revolution in the attitude of the public—and of the Government—towards farming. And why not? A wholesale revision of the country's angle on its farming, the attitude in which farming has languished for the past 20 years, is very much overdue, and now is the time to see that that revision is pressed through."

## V.

Past performances in Canada, however, are not calculated to instil into the agricultural mind any alarming degree of faith in any such beneficial, but revolutionary remedies suggested by Mr. Crowther being adopted. Hitherto we have functioned in a halting sort of a way under a destructive agricultural price system the nearest approach to full-fledged lunacy one could possibly imagine.

As long as we are not on an export basis, supply and demand fix the domestic prices. The moment we over-produce by even two or three per cent, our prices immediately change their whole character. The "economic" price, automatically fixed by the influence of consumer demand in the local market, completely disappears and a new price is established, not alone for the two or three per cent of export surplus, but also for the whole 97 or 98 per cent going into domestic consumption. This new price is based on the market value in some distant European centre, from which is deducted the transportation cost to that centre. That is the artificial—and generally a starvation—price forced on Canadian agriculture. *The Canadian consumer does not demand such a concession. It comes to him as an unsolicited gift from above, but he naturally proceeds to feed at the ever popular agricultural bargain counter.*

The Canadian consumer is thus permitted, or rather forced, to exploit our agriculture. Our farmers are condemned to sell the entire fruits of their industry at "fire sale" prices—a sacrifice which no one has demanded and few desire—simply because they have produced a small fraction over and above the domestic demand which must necessarily seek an export outlet. If the farmers deliberately destroyed this small surplus, domestic prices would be maintained at an economic level. Very frequently such an unsocial procedure would prove an advantageous solution of the problem. This entirely artificial price set-up has prevailed for years and the result has been that the Canadian farmer has been forced to contribute hundreds of millions of dollars towards cheap living in our urban communities. The East has suffered at least as much as the West. What would be the reaction of labour if, during the periods of unemployment—potential surplus production—its wages were reduced to the level of the Chinese coolie?

Here is the net result. With 40 per cent of the population of Canada engaged in agriculture, with an investment of \$5½ billion (representing over one-fifth of our total national wealth) this gigantic productive effort and huge investment only yielded a total return of 11.6 per cent of the national income. That demonstrates clearly, without any fancy embellishments, that this essential occupational group—the most important of them all—has been relegated into a position of decided economic inferiority.

The "Economic Annalist" gives the wages of industrial labour at 53.7 (on a basis of 1926 at 100) prior to the last war. In 1940 these wages had advanced to 109.6. In other words there was an increase of over 100 per cent. This would be further increased by 1941 wage raises. But in the opinion of the Ottawa government that was not enough. These people also had to be paid a bonus to compensate for a slightly higher price of food and other living costs.

How did agriculture fare at the hands of the Federal Government? Farm products in the pre-war year stood at 62.6. In 1940

at 67.1. And there was no cost-of-living bonus to the farmers. During the same period farm living costs advanced from 79.6 to 108.5 in 1940! The people of Canada should hang their heads in shame. For barefaced, ruthless exploitation this situation goes to the top of the list.

The well-known Irish poet and economist, George Russell, expresses the opinion that the so-called Industrial Age must either sustain or destroy agriculture. He maintains that industry should not be entirely confined to our urban districts. He sees the need for rural industries interspersed with agriculture, so that the farmers' occupation may not be exclusively the raising of food for the city. This idea is not new in America. At the moment it is sponsored by such outstanding industrialist as Mr. Henry Ford, and is loudly demanded by agricultural organizations south of the line and by many in Canada. This undoubtedly would be a useful objective of the "new order" advocates.

## VI.

Mr. Eugen O'Neal, President of the "American Farm Bureau Federation," in a speech a couple of years ago produced in tabloid form the recipe for the prosperous community. "New order" apostles might study it with profit. He said:

"The objective we should all strive for is an economic system under which commodity prices, the wages of labour, prices for manufactured goods and farm prices are kept in such relation to one another as to permit the widest possible exchange of goods and services by all. \* \* \* We must never forget that the only way to raise the standard of living and to increase the national wealth is through greater production and use of goods."

This idea is winning favour. The Iowa Farm Bureau Federation gave it unanimous endorsement at its annual meeting later. It declared:

"We are willing to pay parity interest rates to capital, parity wage rates to labour, parity commissions to finance and fee paid professions, parity prices to industry, and parity tax rates and parity salaries and wages to all employees of government. \* \* \* We make this offer because we believe through parity prices, and that alone, can we have security and stability for capital, labour, finance, industry, agriculture, government and the individual everywhere."

The Kansas State Board of Agriculture adopted a similar resolution, closing with the declaration that—

"only by the free exchange of goods and services among groups, on a fair price and income basis, can we hope to achieve and maintain prosperity. *America needs an economic balance which will assure security for labour, stability for industry and parity for agriculture.*"

The parity idea as defined in these resolutions is sound in principle. It means that the highest state of general prosperity is present when the economic system is in balance throughout, with employment full, production at capacity, wages and prices so justly related that the varied products and services pay for each other and no troublesome surpluses pile up from year to year.

This ideal situation cannot, of course, always be consistently attained. It is not essential that it should be. Occasional minor departures from the fair exchange values of commodities and services, which could never be wholly guarded against, would cause no important hardships. It is the violent and sustained fluctuations which throw our business structure out of balance and cause depressions and misery to all classes.

## VII.

The abolition of poverty so confidently promised under the "new order," would, of course, change the whole agricultural perspective fundamentally. With a wide diffusion of purchasing power it is evident, that the consumption of food stuffs would increase spectacularly affording agriculture a large domestic market. With intelligent planning of production, our food exports—usually at disastrous prices—might, aside from wheat, be entirely eliminated. With domestic food prices on an economic basis, this might rescue agriculture from decadence.

Secretary of the U.S. Treasury, Morgenthau, who is something of a farmer when at home, said in a recent speech on this subject:

" . . . . If our people and other peoples are to be guaranteed a minimum standard of nutrition, which I believe is their right, then we in this country will have to produce the food that will make that standard possible. That minimum for every adult was recently set by the National Nutrition Conference at 4½ quarts of milk per week, one egg a day, one serving of meat a day, and two daily servings of vegetables and two of fruits.

"If we were to attain such a minimum goal, if we were to recognize it as a right that belonged to everyone, it would mean a vast increase in our consumption and our farm production. It would mean an increase of at least forty per cent in our present consumption of milk and milk products alone. It would mean a doubling of our present consumption of leafy vegetables and of the fruits that are rich in vitamins. It would mean that the farmers would have a greatly increased market here at home—the best kind of market, for it would not be subject to foreign tariffs, and it would also increase steadily as population increased.

"I have never been one of those who believes that we are heading into a period of misery and darkness. Certainly there need be no agricultural misery in our country after this war. There need be and there must be no repetition of 1920 and 1921, which, as you know from bitter experience, were black years for American farmers.

"If we could provide a minimum food standard for everyone—and our farm lands have the capacity to provide it—there would be less illness due to faulty nutrition, more production from our workers, a greater length of life for all our people, and an assured future for all American farmers."

Nutrition studies have also been carried on in Canada with parallel results. Dr. J. F. Booth, of our Federal Department of Agriculture, recently said:

" . . . . Studies of food consumption in Canadian homes reveal that many families have not been getting what is considered an adequate diet. An analysis made a few years ago of the milk purchases of 3,213 families in Quebec, Ontario and Alberta indicated that the average daily per capita consumption



was three-quarters of a pint. The significant thing, however, is that the families on relief and those with annual incomes below \$1,000 obtained only half a pint and two-thirds of a pint respectively, while those with incomes of \$4,000 or more, consumed about a pint a day. A similar study of 562 families in Nova Scotia indicated that the low-income families purchased only a third of a pint per day.

"Another study of meat consumption involving 2,060 families revealed that families on relief obtained 81 pounds per capita, those with incomes of \$300 or less averaged 109 pounds, while the average consumption in families in which the per capita income was \$900 or more, was 170 pounds.

"Similarly, in the case of fruits a recent unpublished study dealing with the consumption of apples and citrus fruits in Nova Scotia indicated that the rate of consumption was very much higher in families with adequate incomes than in those in the lower-income brackets.

"These studies suggest the opportunities available to us in expanding markets right here in Canada. There is no doubt that a substantial proportion of our own people have not obtained an adequate supply of certain foods. Their diet has been deficient in terms of approved standards. The improvement in employment that has occurred since the outbreak of war has, no doubt, brought an improvement in the situation. If present conditions can be maintained, or further improved in the years to come, it will result in better diets and improved health, and in addition will increase the demand for certain food products."

It is not inconceivable that, as a long range proposition, the development of a wider home market might furnish a painless solution of some of the major grievances of agriculture.

## CHAPTER V.

### FINANCE AND SOCIAL WELFARE.

The Brookings Institution of Washington analysed the distribution of national income in the United States for 1934. It was \$51 Billion. Out of this investors and other property holders received \$7½ Billion in rents, interest and dividends, employees \$34½ Billion, and farmers, individual enterprisers such as merchants, doctors, lawyers, etc., about \$9 Billion. Capital apparently received 6.8% of the national income. 93.2% was paid to the multitude of workers in industry, farming, shopkeepers, the professions, etc. With the heavy taxation to-day it is doubtful whether capital in Canada receives even half of the proportion of the national income indicated by the 1934 figures of the United States. Any further substantial reduction in present capital earnings would apparently be fraught with great danger.

For instance, in the United States, as a numerical group, large incomes are slowly being squeezed. In 1928, there were 16,000 persons with incomes of \$100,000 a year or more. By 1937, when business volume was greater than in 1928, the number had dropped to 4,150. And America's industrial elite—the "500" with million-dollar incomes in 1928 and 1929—has dwindled to a mere handful: only 49 in 1937; up to 57 in 1938; down to 43 in 1939. Not only is this entire group getting smaller, but financially its power has diminished 90%. The aggregate net income of these big potential investors has dropped from \$3,737,000,000 in 1928 to \$308,000,000 in 1939. If the United States confiscated the total of these large incomes and divided it amongst those earning less than \$1,000 per annum, it would not begin to pay for their cigarettes. It is clear, therefore, that the curtailment of large incomes is being effected at an almost terrifying pace. *The poor are not getting poorer, and the rich are not getting richer.*

## II.

It is difficult to envisage amounts running into millions. But when we enter the plane of billions, the human mind absolutely stalls. It refuses to grasp the magnitude of such figures, almost as fantastic as the astronomical "light year." It helps a little to be told that if the dimensions of a lowly housefly were increased a billion times it would be larger than the moon. That in April, 1902, only one billion minutes had elapsed since the birth of Christ.

The significance of war expenditure was brought home very lucidly to the average mind by Professor Butler, who must have a penchant for statistics, when he estimated the cost of World

War No. 1, and what that fantastic expenditure actually might have meant in terms of human welfare. A couple of years ago the "Sunday Express" of London, England, carried the following item:

"While the wars in Spain and China rage on, Professor Nicholas Murray Butler calculates how much the Great War cost the world. He arrives at a figure of £80,000,000,000. This sum, he says, would have provided five acres, a £500 house and £200 for furniture for every family in Great Britain, the U.S.A., Canada, France, Belgium, Russia, Germany and Australia. Also a £1,000,000 library and a £2,000,000 university for every city of over 20,000 inhabitants in those countries. Anything else? Yes. With the money left over, the whole territory of France and Belgium could have been purchased."

The warring nations raised this colossal treasure to pay for the gigantic volume of material and labour involved in fighting that war. When it ended, the fruits of this production was practically all destroyed or useless. And now we are engaged in a war estimated to cost twice or three times as much in terms of wasted production!

It seems clear, that if the world had been able to devote this astronomical expenditure to wise and beneficial purposes, *poverty could have been banished from the white races. Utopia would be within our grasp.* At least, as far as lavish public expenditure could attain these objectives, which, of course, is still a largely unexplored, speculative field. We are, however, destined to know much more about that before we are many years older.

Recurring world wars, and the consequent "all-out" expenditures, contribute prodigiously to our financial education. The current Annual Report of the Bank of International Settlements gives weighty confirmation to the optimistic view in the following passage: "The high proportion of man's productive capacity now devoted to purposes of war is proof of the tremendous technical possibilities which might be made available to improve the material welfare of all classes of society." This statement by the world's top financial authority is worthy of serious thought. On this subject, Dr. Sandwell, editor of Toronto "Saturday Night," submits the following observations:

"The most widespread source of bewilderment among ordinary Canadians to-day is, I am confident, the fact that a nation which could not, five years ago, raise the necessary money to put a few hundred thousand unemployed citizens to work on producing things which would add to the health, comfort and happiness of the whole population, is now able without difficulty to raise vastly greater sums to put a few hundred thousand citizens to work fighting Germany and to provide them with very expensive implements of destruction with which to diminish the health, comfort and presumably also happiness of the Germans.

Our financial set-up will do the job all right, if the people want it done. But they just simply have not wanted it done, in the days of peace, in the way that they want it done now in the days of war. Would the man who wrote this article have accepted, for the purpose of providing university educations, good homes and a universal supply of good food, the taxation, on himself and his business, that he now accepts cheerfully for the purpose of defending Canada from the Germans? Of course he wouldn't. Why then blame 'our political and financial leadership' and 'our financial set-up'? Why not blame ourselves?"

Hitherto during periods of peace when proposals were made involving large public expenditure for social welfare projects, the argument that we could not afford it was final. It is very much to be doubted whether in the future any such assertion is going to be accepted as conclusive and satisfactory. Germany has confounded all the experts who insisted, year after year, that her economy must soon collapse because she lacked gold. Lifetime habits of thinking in terms of a traditional money economy had almost blinded these experts to the facts that money is the shadow, and not the substance of wealth. A nation's real wealth consists of its natural resources, and the morale, the skills, and the physical well-being of its people.

Discussing the financial problem in reconstruction, A. A. Berle, Jr., Assistant U. S. Secretary of State, says:

"The difficulty is not real. Technically the solutions are sufficiently simple. The difficulty lies in people's minds and in their habits of thought. The proper attitude toward dealing with a financial problem to-day is to consider finance as a job for a technical crew in the government. The specifications are relatively simple. So long as labour is available, materials are handy, and technical skill can be hired, the words 'we cannot afford it' are absurd. Granted that there is a useful job to be done, granted that we have plenty of production (which includes, of course, labour and management, organization, equipment, and engineering skill), your technical staff in money and finance ought to be able to see that funds are available. A well-trained staff of technicians in that field will tell you that it is limited only by production. When people want more things than labour, organization, and materials can cope with—then only your technical finance group will tell you that 'we cannot afford it.' They draw a quite different picture of what the word 'afford' really means. Instead of thinking of that word as meaning payment, out of a dwindling stock of dollars, for the building of a house, they think of having so many billions of man-hours of labour, so many expert engineers, so many hundred million bricks and other materials. To the financial technician 'paying' for the house means using the services of these people. So long as you have plenty of these necessities, you can build as many houses as you like. Thus the technicians are not worried about using credit if it does not go beyond this stock of goods and services, or if the credits they grant call new goods and services into prompt existence?"

This reads very much like an extract from a Social Credit text book, but it has actually no connection whatever with that monetary creed. Of course, the theory is based entirely on the foundation of taxation, or shall we call it, the redistribution of national income. The limit of profuse public expenditure for any and all purposes is reached when the sources of taxation and borrowing dry up. But it may be freely conceded that the sources of both taxation and borrowing will be progressively augmented with full and profitable employment of labour and capital. Prosperity is largely self-perpetuating.

A friend of mine maintains, that in war or peace, old times or new times, the one and only foundation of the economic structure is full employment in industry and other useful work, plus adequate wages and parity primary product prices; all else is consequen-

tial. More and more it is being recognized that after all, it is the goods and services that really matter and so far as money is concerned, this is simply a matter of bookkeeping or barter tickets, to match and record the real wealth produced, on which we all depend. He goes on to say: "At present, however, we fail to do the capital works necessary for insuring our future and maintaining current employment and purchasing power. We further reduce circulation by 'saving' and contracting credit, and so disemploy more employables. We fail to do necessary capital works even as a re-employment measure. We even create more production facilities, (with negligible re-employment and maximum cut-throat competition) in spite of the reduced purchasing power. In any case, interest is paid on these idle and destructive savings. Finally and funnily we present the savings to the disemployed,—for reducing our national production, income, assets, standard of living, security, etc., to say nothing of the human degradation involved. What an illustration of throwing away the perfectly planked pickerel and eating the plank!"

#### IV.

Our Finance Minister in a recent speech expressed the opinion that the present period of business expansion represents spurious prosperity because it is based on government spending. I should disagree emphatically with that pessimistic diagnosis. Government spending is just as effective in creating real prosperity as private spending, and under any future "new order" we shall probably become reconciled to ever widening fields of government activity in that direction.

Governments, of course, can only spend as much as they are able to collect, now and in the future, from the taxpayers, many of whom will argue that they can spend their incomes more advantageously themselves than the government can. That is open to doubt, as social issues enter into the question. Taxation long ago entered a new sphere. Raising money for the necessary services of government is no longer the sole objective of taxation. It has also become the instrument of the redistribution of wealth.

This new function will, of course, be deeply resented by the more affluent classes, but they might as well recognize the consoling fact, that it actually constitutes a social "safety valve." Nothing could be more certain than the ultimate, and perhaps early, disruption of our present system of free enterprise, unless it is intelligently and effectively policed and controlled through the medium of taxation in various forms. It is admitted that this "safeguard" is not easy to take. Also that taxation measures, once the war is over, must be very wisely applied.

We obviously cannot have a prosperous and fully employed community without a greatly increased consumption of goods and services in the lower income brackets. If a more even distri-

bution of wealth cannot be attained through the regular channel of wages and prices—and evidently that is not sufficiently effective—the only alternative is for the government to step in and, perhaps in a more or less clumsy way, accelerate the process through taxation and direct spending on social objectives. Any coming "new order" will undoubtedly be based largely on these expedients.

Of course, in the days to come we cannot possibly, escape high taxation. But what of it? Prosperity is not really a question of keeping taxes down, but of keeping people at work. Nor does happiness depend on the scale of taxation. The country with full employment and high taxes will always be more prosperous, happier, better satisfied and more imbued with self-respect than the country with unemployment and low taxes.

## V.

Most of us are greatly concerned about our rapidly mounting public debt. A look backwards on the history of Great Britain's debt structure is useful. In 1614 the debt amounted to £1,200,000. In 1702 it had increased to £12,500,000. They were aghast in 1763 when it reached the unprecedented amount of £132,000,000, and in 1817 when it went to £848,000,000 they were seriously worried. In 1920 it reached the sum of £7,875,000,000, and the British people thought that this was the end of everything. In 1940 the score was £8,931,000,000, and no one can estimate what the score may be a couple of years hence. Who can, however, deny that, war or no war, the people of Great Britain were better off physically, financially and morally in 1940 than were their ancestors in 1614?

The "Financial Post" recently figured out that even if the war continues until 1944, which would seem unlikely, Canada's total Federal public debt might be somewhere near 8 billion dollars, involving a total annual service charge of 266 million dollars. Making allowances for civil administration, fixed charges, pensions, demobilization costs, etc., the total budget would be about 995 million dollars, or 13.4 per cent of the national income in terms of pre-war prices.

The important points to consider are these: Canada entered the last war with a national debt of \$311.8 millions. She entered this war with a debt burden of \$3,385.7 million. But of the 1914 debt \$302.8 millions, or about 97% was owed to investors in the United Kingdom—that is to persons outside of Canada. Of the 1939 debt, however, only \$480.9 millions, or 14%, was payable in a foreign currency, and \$2,904.8 millions was held in Canada or at least payable in Canadian funds only. A debt that a country owes to its own citizens is not nearly as heavy a burden as one that is owed abroad. For one thing, in the latter case, interest payments circulate among Canadians and add to the income of the country, and is subject to taxation here. The prospective debt situation is by no means unendurable. Canada can carry the

burden providing the post-war period makes no extraordinary demands on the exchequer.

We have been brought up in the Benjamin Franklin tradition that debt is an evil thing. And unquestionably, if you happen to be the debtor, scraping up interest payments is irksome. But if you happen to be on the other side of the ledger—the creditor collecting semi-annual remittances—debt is anything but unpleasant. Public debt is not entirely an unmixed evil. Obviously, the debt is a burden on the nation's taxpayers; but, equally obviously, it is a source of income to savings banks, insurance companies, commercial banks, corporations, and the private investors, both small and large, who own the government debt.

Public debt (like private debt) is a means of distributing the national income. The government collects taxes from citizens and distributes those taxes among the bondholders. With private debt, corporations collect money from consumers and distribute that money among the corporation's bond and stockholders.

There is another respect—much less obvious—in which public and private debts are very much alike. When created, both tend to stimulate business and employment. When a corporation borrows money and builds a new plant, it creates jobs; the same is true when the government goes out and invests in a smokeless powder plant. Right now, business is booming because the government is going into debt—the country is investing in defence. Since all interest on debt (whether public or private) must come from production, and since the country's total outstanding debt is greater than ever, post-war production will have to reach—and stay at—an all-time high, if the national debt burden is to be reasonably bearable. That is a very important problem facing the "new order."

Just now we are collecting about 23% of the national income to carry on the war and necessary services. Our ability to collect taxes varies, of course, with the size of the national income. If in the post-war period we can keep this item up to say 6 billion dollars per annum, we shall experience little difficulty in carrying a national debt which may very easily reach 8 billion dollars if the war is prolonged and substantial special rehabilitation expenditure confronts us during the demobilization period, which is almost inevitable.

The humanitarian and public welfare aspects of the proposed "new order" are, of course, uppermost in the public mind, but these are not the sole considerations. A better order, if based on sound premises, must contemplate fuller employment, therefore, increased production, necessarily resulting in a higher national income. This is an essential condition of general prosperity. If, in fact, the proponents of the "new order" focussed their attention exclusively on this single objective and succeeded, the problem would fairly be solved for us all.

## VI.

Theories as to the shape of things to come are naturally in the melting pot at the present time. Our feverish effort to supply the tools for national defence and mechanized warfare is now monopolizing public interest and also providing well-paid and much needed employment. But it is an ominous fact that the great majority of our people vaguely associate the coming new order with a vast extension of state social services, somewhat after the pattern of the Scandinavian countries, where a round one-third of public revenues are expended for those purposes, although these welfare schemes are practically all on a strictly contributory basis, which is the only sound plan. They are evidently far from being self-supporting.

Mr. E. J. Weir, Chairman of the "National Steel Corporation," recently made some sensible remarks on the extension of social services, in a speech in Chicago. He said, in part:

" . . . . People are being educated to believe that they have no individual responsibility for their own welfare or that of the country. It is constantly expounded that conditions overwhelm the individual man, and that he cannot cope with them by his own efforts. More and more, Government has assumed the attitude of a good god-father to whom people—and even business firms—have a right to look for beneficence. This is a direct inversion of what has always been considered a cardinal principle of government. Government can give nothing of itself. Whatever it has must come from its people. Therefore, it is an impossibility for government to support the people. In the long run, the people must support *themselves*, and in addition, *support government*. This principle seems forgotten to-day.

"Do not misunderstand me. I sympathize with misfortune, and fully recognize the necessity for relief. No one in this country must be permitted to go cold, hungry, or unsheltered. But relief should be recognized for what it is—a stop-gap pending the earliest opportunity to become self-supporting. The whole aura surrounding this condition is vicious. It is establishing a mental attitude that is corroding the spirit of individual responsibility and independence that has been a marked trait in this country. And the future of civilization depends on the *development* of individual responsibility. The quickest solution to this problem is jobs . . . . recovery."

There is, of course, a large field for legitimate social services, such as in public health and hospitalization. Slum clearance, and the construction of workmen's dwellings probably cannot be made self-supporting and might profitably be subsidized. Education, of course, is a highly desirable objective and could advantageously be made the subject of extended public expenditure. Old-age pensions are, needless to add, mandatory. But the contributory feature should be strongly stressed so as to eliminate as far as practicable the demoralizing element of charity.

The average, normal person on this side of the water enters upon his chosen occupation with the firm expectation of being able to live decently, eventually to support a family and to provide for the ordinary hazards of life, which is an entirely rational, creditable and justifiable hope. The suggestion that he and his family would ever end up practically as wards of the government would



shock him. In densely populated Europe, on the other hand, competition is keener and the idea of leaning on public support is more common and becoming less repugnant.

" To base a new and better order in a young, rich in resources and sparsely populated area like North America on extensive public charity must be regarded as a distinct defeatist objective. If the economic security of the citizen is to rest primarily on vast social welfare undertakings—virtually transforming these new and productive countries into glorified poorhouses—it would indicate lack of economic sense and imagination. While we cannot all be well-to-do, we can assuredly do much better than that, if we set about to put our economic house in better order.

## CHAPTER VI.

### ECONOMIC JUSTICE.

If we accept as a yard measure of the efficiency of government the degree of economic justice meted out to the various groups of the community, I very much fear that the performance of democracy as recorded in North America over the past half century cannot be rated very high. Political leadership, even in times of great national stress, has consistently followed the lines of least resistance. Constructive statesmanship, the determination to follow the right course regardless of political consequences, has not been a conspicuous feature of our leadership.

We have it on the authority of a trained educationist, who is also the premier of a province, that the mentality of the average voter is that of a thirteen-year-old child. When we take a good look at many of the men elected to public office, we cannot dispute his assertion. In days gone by government was a fairly simple task. With the increasing complexities of our civilization it has become our largest and most intricate business, the management of which we too frequently entrust to mere ward politicians, skilled in the art of popular appeal, but without the remotest qualification for the job.

Economic justice is obviously a desirable goal to be pursued for its own sake, particularly under any "new order" we may have in mind. But aside entirely from its intrinsic merit, the general welfare and prosperity of a nation is governed by the degree of balance attained and maintained in its ever shifting economic life. Perfection is, of course, impossible. But eternal vigilance may confine fluctuations of group purchasing power within reasonable and bearable limits.

Of this we may rest completely assured, that the seeds of economic justice will be constantly uprooted in a society subject to the recurrent social and economic upheavals incidental to our periods of grave business depressions. Paradoxically, however, these times of profound stress and misery are practically always due to the failure of economic justice governing the relations of men and groups in their daily contacts.

In a country like Canada so abjectly dependent on the spending power of its export agriculture, depressions may be (and in 1930 actually was) caused by a series of poor crops and abnormally low world prices of farm products, *which demoralized purchasing power in a market where the general price level did not smoothly re-adjust itself to the lower food prices.* This caused a general fall in consumption of from 15 to 25 per cent chiefly in manufactured goods, which in turn drove thousands of men out of employment.

Unemployment being cumulative, the reduced consumption of these caused further thousands to lose their jobs and so forth. Banks becoming apprehensive presently ceased lending and called in many existing loans. Consumption declined still more. Most of those who had accumulated savings for the "rainy day" or still enjoyed fair incomes, became panic-stricken at what was happening to their friends and acquaintances and commenced fortifying their own positions through reduced expenditures.

Business presently went into a tail-spin and forced liquidation became the order of the day. Once begun it had to run its course. The way back to the new normal was, as it always is, labourious and painful. Minor and brief depressions come and go. They are not very important in effect and may be due to a dozen different causes. But let us clearly understand, that a major, long-sustained depression has its origin only in a sharp curtailment of consumption and its concomitant, widespread unemployment.

Vice-President Wallace, in his recent seven-point "Bill of Duties," lists: "The duty to provide government mechanism to enable our power of consumption to equal our power of production." Our standard of living is governed by our purchasing power. That in turn is fixed by what we receive for our own produce and services, and what we have to pay for the products and services of others. It follows that the problem to solve is how to impose a fair valuation on each kind of goods and service, so that all citizens may meet in the consumers' market place on reasonably equal terms.

When the man who produces and transports milk to the city at prices which, over the year, barely cover his cost, while the member of the powerful Teamsters' Union, who merely delivers the milk to the consumer often draws down \$90 a week for this simple service, it is not difficult to recognize a lop-sided economy. When a farmer has to sell his wheat at one-half a normal price, and is at the same time compelled to pay artificially high prices for shoes, tools and other commodities, it is plain that other groups are profiteering at his expense. It may be industry, or it may be labour, or distributor, or all of them. The division of wealth, as a matter of cold fact, takes place mainly through our price and wages systems—the natural channel of distribution. When for any reason these become seriously disjointed our whole economy tangles:

In the early days of mankind everyone worked in a family unit and there was always a limited amount of barter, *i.e.*, exchange of products. With invention and specialization the barter system gradually increased in volume and was presently found too cumbersome. Money was invented. Goods and services were henceforth valued and paid for in currency instead of in kind. That enabled us to purchase what we needed and when we needed it, or we could save part of our purchasing power for the "rainy

days." But behind any and each of these systems was the fundamental obligation to work—to give fair value—for what we received in goods, services or currency.

## II.

Money is the standard of values. Weights and measures are the standards of quantities. The state also lays down legal standards of quality in thousands of natural and processed goods. We thus have convenient business machinery and a commercial framework within which we may buy and sell freely under a guarantee that we get what we pay for in terms of quantity, and, to a rapidly increasing extent, of quality as well.

But while we have the machinery for *measuring* values, we have not, as a general rule, the machinery for correctly *determining* values, for purposes of exchanging the products and services of society intelligently.

When we talk about a "balanced economy" or "parity income" it merely means a reasonably fair and just valuation of the production and services of each occupational group within the nation for exchange purposes. The attainment of this is the great problem facing statesmen in the democracies. The unsolved riddle of social justice. The classical economists depended on the law of supply and demand to roughly establish fair price and wage relationships. But in our modern, complex civilization we have contrived by organization to obstruct the functioning of natural laws. That, in fact, is the chief mission of protective organization. The totalitarian nations solved this problem easily by arbitrarily placing the momentous decision on prices and wages in the supposedly disinterested hands of the state. Democracy can apparently attain the same end by a reasonable direct or indirect control of or influence upon profits and wage costs.

The reactionary element in nations always insists on any social and economic problems arising from time to time being adjusted by the "law of supply and demand" which is supposed, sooner or later, to iron out all difficulties. Of course, there is actually no such law except in the jargon of the academic economist. These good people have tried to construct a "law" on the basis of probable human behaviour under given circumstances which would automatically be followed by certain economic consequences. If we grow too much wheat, prices will fall, and when prices reach the starvation level farmers will automatically grow less, just as soon as a sufficient number have been ruined and eliminated by bankruptcy. That is the formula on which this-so-called law is based. Of course, the payment of a wheat bonus obstructs this pleasant process.

In essence it is, of course, the law of the jungle. If there are too many unemployed, some of them will starve to death,

and then, presto, there will not be so many. That is, baldly stated, the principle of the *laissez faire* idea in public administration, which has now come into violent collision with the principle of an intelligently planned economy. Of course, no one, nowadays, seriously supports the idea of a consistent *laissez faire* regime with its crude and cruel corrective methods. The law of supply and demand is much too uncivilized for that. It cheerfully murders and starves in order to attain its results. And even the most reactionary citizen will not stand for that nowadays.

So there we are suspended on a limb. The adjustment of our economy through the machinery of natural laws is obviously and admittedly impracticable in a civilized country. Such being the case, there is no point whatever in placing the least dependence upon that procedure and those who still insist upon blating about "laissez faire" policies are simply ignorant or dishonest.

We shall assuredly face a herculean task in guaranteeing all our people economic security and an adequate standard of living. We must remember, first, that no other nation on earth has ever accomplished such an heroic undertaking, despite the fact that these objectives have always been regarded as the central, ultimate aim and purpose of free and civilized people. Secondly, that it is definitely beyond the power of a democratic government, or perhaps of any form of government, to establish by law any such ideal state, or it would assuredly have been done somewhere many years ago. Thirdly, calm consideration of all the issues involved leads to the inevitable conclusion, that such social guarantees are attainable only with the loyal co-operation and willing sacrifices of all occupational groups.

How near we shall approach our ideal in the future, therefore, depends entirely on the level of mass intelligence, capacity for work and upon our willingness to observe the letter and spirit of the Golden Rule more closely than we have in the past. This may read like a well-worn platitude, but it is, unfortunately, the bitter, unvarnished truth. Even with a drastic levelling down process from the top and an equivalent levelling up process from the bottom, we should fall woefully short of our objectives. There is, in fact, no salvation in that very popular prescription which glaringly over-simplifies the social problem.

The only feasible road to a better order is an enormously increased domestic production and, *mark well, an economy permitting the exchange of goods and services between man and man on a reasonably fair and just basis of valuation.* That would create balance in our economy. This can, of course, only be approximately attained, but the nearer it approaches perfection, the more diffused becomes employment and purchasing power.\* It is not overstating the case to assert that this supremely important field of social welfare effort has been shockingly neglected by the demorcracies.

### III.

Post-war industrial and military demobilization is bound to create an unemployment problem. This recurring social disease should be diagnosed. Economists agree that the money outlay on production will in the aggregate fully finance consumption. Meaning that production is self-liquidating. It is as simple as that. In the absence of artificial obstruction we should be able to produce to our heart's content knowing that the customers are there. We obviously cannot have normal employment without normal production and consumption. And normal consumption depends entirely on goods being available at all times at prices within the reach of the consumer. There is no other sensible approach to this subject. In prosperous times the consumer can and will pay higher prices. In times of approaching depression prices must fall to the point where he is able and willing to buy in normal volume. Goods must be consumed. And there is always a market—at a price.

There is no appeal from the decision of the individual consumer. Sound sense would impel us to meet his demands, which means that arbitrarily fixed wages and prices would have to go into the discard. In times of threatening stress, industry, labour and distributor must approximately adjust profits, wages and other costs to the consumers' requirements, so as not to obstruct consumption. The penalty for failure to do so is reduced output leading directly to abnormal unemployment. Is it possible to persuade or compel these three parties—the virtual Czars of our entire economic system—to get around the conference table and to reach sensible decisions without resorting to economic warfare or appealing for government intervention under the veiled threat of political sabotage? That is the kernel of the whole problem.

The agricultural and unemployment problems, the two principal sore spots in North American economy, have hitherto been met by more or less spasmodic "hand-outs" by government. That unhappily cannot always be entirely avoided in emergencies. But deliberately to construct a more or less permanent economy—a new order—based on a public policy of subventions to depressed groups is a vastly different matter. It violates the very concept of rational government. The "brave new world" of our fancy cannot be built on any such insecure and artificial foundation as vainly attempting to subsidize submerged classes into prosperity. To eliminate the low spots in our economy we must correct the maladjustments responsible for them. This demands the sympathetic and loyal co-operation, and conceivably material sacrifices, of all groups above the breadline.

No "new order" can confer increased prosperity on us all. It can at best only contribute towards providing wider access to the bare necessities of life for the definitely submerged element in the community. That in itself would, of course, constitute a

tremendous social forward movement. But it is doubtful whether the apostles of the new and better order would regard that as a completely satisfying goal, having in mind the contributions the less needy classes would have to make to attain this worthy objective. It is important that we should enter the crusade for a better order with a comprehensive realization of all the limitations surrounding fundamental social betterment. Unduly high expectations will only create disappointment, apathy and, conceivably, defeat.

## CHAPTER VII.

### FREE VERSUS PUBLIC ENTERPRISE.

In these pages we are dealing with economic issues—material things—with the ways and means to ensure for all our people a higher standard of living. A nation's greatness is in the last resort measured by the general welfare of its citizens, which is governed by its material attainments. This may be regarded as a somewhat sordid view, but for our purposes it is substantially correct.

Spiritual values, of course, need not be ignored in our quest of material success, but the fact remains that history records the abject degeneration and decadence of nations which had attained the pinnacle of greatness in art and literature, but had neglected the development of their material resources and the welfare of the common people. They eventually fell an easy prey to the robust, untutored enemy warriors who gleefully destroyed them.

I do not propose in these pages to enter into a detailed discussion of socialist and communist objectives. There are "57 varieties" of thought within those more or less confused political schools. Each individual or group seems to have its own ideas on detail, which, however, largely centers on the speed, extent and methods of abolishing private ownership of property and substituting public ownership and operation of industrial and business enterprise. For the purpose of examining how far our proposed "new order" is likely to—or will be compelled to—move towards the radical left, the issue may usefully be confined to a very brief and general consideration of *free versus public enterprise*, which is the main question involved.

Admitting that the past, black decade has been marked by a vast amount of economic misery, indicating serious flaws in democratic administration and social organization, the fact stands out with blinding clarity, that never in the history of the world has any people, on the whole, been as well fed, clothed and sheltered and enjoyed so many of the amenities of a high civilization as those of North America. Those were in a large measure the fruits of free enterprise. There is, of course, still vast improvements needed. That task, I take it, is the objective of the "new order" exponents. *But to hold "free enterprise" as a system responsible for past periods of economic stress and to absolve weak and fumbling political and business leadership from all blame, is absurd.*

## II.

I sympathize keenly with the difficult position our clergy find themselves in respecting their attitude on the burning political and social issues of the day, which has not been made easier by the



uncompromising stand of the Dean of Canterbury, who, with the considerable prestige of his great position, announces that "By no ingenuity could I square capitalism with Christianity," and goes on to say:

"The thing is not only immoral; it is hopelessly inefficient. Control by a single owner or a group of owners, instead of control by the whole community, leads to inevitable confusion and loss, to booms and slumps, to bankruptcies and the scrapping of capable concerns, to unemployment, poverty and brutality and at length to war. Private ownership of the means of production has outlived its day. It is doomed."

The Dean, who is also a trained engineer, speaks with some authority on profane matters. He is not an amateur. We must, however, make due allowance for the fact, that his eloquent and stinging strictures on social evils and injustices are based on his British environment, and that labour conditions there and in North America are as wide apart as the poles. We can all sympathize with his commendable concern for the underdog, without obligation to take up his extreme position, which is far from unassailable.

With due respect, I must, however, say that the Dean's picture of frustrated science at the behest of the grasping "capitalist," who, ignoring national welfare, obstructs progress and invention, is outrageously at variance with North American practise and experience, where our great industrialists and the State itself, spend hundreds of millions each year in research, employing an army of capable technicians vying with each other to solve efficiently the problems of industry.

This is how the vexed question of the attitude of Christianity towards socialism looks to me. My untutored mind pictures Christianity as embodying a great moral code based on the ten commandments, which has endured throughout the ages and stands unsurpassed to-day as a guide to the better life. Beyond this I see nowhere in the Bible any directions in respect to such sordid matters as the organization of our industrial or commercial life. This, on the other hand, is the sole objective of socialism, which does not concern itself with moral issues any more than, if as much as, democracy does.

We can evidently be good Christians—if we conscientiously want to be, which too many of us, alas, apparently do not—whether our shoes are made by John Smith or by the State. This question is purely one of efficiency and expediency, whether or not, in fact, the State can do the job better or cheaper than John Smith, which I passionately deny. There are no moral issues involved in any shape or form.

As to whether the workmen employed by John Smith are fairly compensated and humanely treated, the democratic State and their labour union are perfectly competent to see to that, if John Smith should be inclined to disregard the plain admonition of the ten

commandments, which, if not adequately "policed," he might be tempted to do. There is no form of protection from exploitation and unemployment that the socialist state can accord the worker, which democracy, with "free enterprise," cannot duplicate and enforce. The Christian Minister may, as I see it, with perfect propriety pin his faith to the ability of democracy to institute a "new order" which will protect the worker from exploitation at least to the same extent as socialism can.

### III.

One reason why North America is a fertile field for "red" propaganda is, that the tendency of industry and business is to grow larger and larger, which excludes the chances of the investment of small savings in an independent occupation. This sense of frustration is doubtless at the bottom of the antagonism to "big business," and the growing demand for state ownership, which appears as the next best choice to the uncertainties of life as an employee of private enterprise. Employment by the public also strikes the worker as more stable and dignified.

It is useful and instructive to remember that all the Scandinavian countries have for many years been under full-fledged Socialist government with large majorities. But it is a significant fact that there has been no considerable demand by the workers for state ownership and operation of the means of production. The great majority of the people there very clearly realize, that if the dynamic enterprise of private ownership under a competitive system, is removed and replaced by the dead hand and inertness of government, industrial stagnation would gradually creep in, cost of production and prices would increase and ultimately destroy the proletariat. They have nailed their colours uncompromisingly to private ownership *intelligently controlled*.

The highest standard of living will always prevail in the country with the greatest per capita production, coupled with reasonable and fair control of the earnings of both labour and capital through wise regulation and taxation. If State ownership of the means of production would substantially increase or cheapen output, there would be the strongest possible merit in such a system. But sensible people will agree with the intelligent workers of Scandinavia who long ago concluded, that it would have exactly the opposite effect and would, therefore, be detrimental to the best interests of all classes.

There is perhaps a plausible explanation for the more enlightened, political attitude of the Scandinavian people. When freedom was conferred on the Danish peasantry generations ago, the then queen, a highly intelligent woman, sent for one of the bishops, who had always harboured somewhat unconventional ideas for those days on popular education. She asked him point blank

what he thought the general effect of this liberation would be. "Your Majesty," he replied, "it will now be incumbent upon us to educate our new masters."

Out of this conversation was born the now famous "Folk High Schools," designed to provide an intelligent system of adult education, which presently spread into all the Scandinavian countries and, incidentally, laid the foundation for the great co-operative movement, which resulted in a flourishing agriculture there.

As a collateral effect, a high degree of sanity in political thought was created, which has made possible the gradual development of a superior type of democratic government, which has commanded the admiration of all European countries. As a long-range antidote against unbalanced popular thinking on public issues, Canada could do no better than to copy this very inexpensive system of adult education.

#### IV.

One wearies of the everlasting futile and stupid controversies over political parties and forms of government. The central issues may be very simply stated. The choice lies in one of three courses. Fascism, which means the virtual enslavement of the citizen under the state ruled by a dictator. Socialism or communism, with aims practically identical, which makes the servitude ever more complete, inasmuch as the citizen becomes a mere obedient unit in a compulsory Workers' Army, while the state becomes the sole proprietor and employer, controlling the citizen body and soul and determining his path of life. The third is democracy—responsible government—with a free economy and self-determination under majority rule.

Fascism and socialism are both based on one leading principle, namely, to organize society on a basis of rigidly controlled production, and to impose the necessary discipline upon the citizen. It is a reversion to the 16th century worship of the State. Both systems involve ruthless dictatorship. History demonstrates that fact clearly, even if ordinary common sense did not indicate, that no system of government, undertaking arbitrarily to manage the very life and enterprise of each citizen, could possibly work against the inevitable, continuous storm of bitter and often ignorant criticism and reproach if free speech, a free press, labour unions and other organizations for class protection were permitted. Any such political system assuredly involves the complete abdication of individual liberty. Some cynics will, however, observe that liberty without three square meals a day is not much of an asset, which is scarcely open to argument.

Nevertheless, if social security—three meals a day, a bunk and clothes—is the ultimate goal of human ambition, and represents the sum total of human happiness, either of the dictator

systems might conceivably work very well, particularly if we were lucky enough to get a capable, high-minded and unselfish supreme ruler. We would, of course, have nothing to say about the appointment of a "Fuehrer." He is always self-appointed. The task of producing and distributing enough food, clothing, shelter and education to reasonably satisfy all the citizens, would seem a comparatively simple proposition in a disciplined society where the individual is told just where to "head in" and no back talk, with a concentration camp or a stone wall and a firing squad in the background to deal with loafers and objectors. Almost anyone could guarantee that. It is not, however, so simple in a "free" society where everyone is at liberty to loaf, criticize and sabotage.

We are, unhappily, forced to admit, that, theoretically, our possible third choice, democracy, is by comparison a highly inefficient form of society. It stands to reason that where every Tom, Dick and Harry has the privilege of undermining the administration, of publicly damning the government, its institutions and all its works, to go on strike and tie up production when it pleases him, to bring pressure to bear on weak-kneed political parties to accord his group special privileges, to profiteer at the expense of other citizens and to indulge in every sort of irresponsible license—where, in fact, economic justice has departed—we are very apt to create a veritable social and economic bedlam, which is more or less what we have succeeded in doing. We assuredly pay a very heavy price in terms of economic inequality, inefficiency, waste and extravagance now for the privileges of democratic freedom, including the privilege of electing our own government, which many of us promptly cancel by failing to exercise the franchise!

The ostensible aim of our more radical thinkers and leaders is a socialistic economy, supposed to mete out "equal justice to all." They, however, ignore the fact that the average run of human beings, dissatisfied with the existing state of society, *do not want social justice*. What they want passionately and fight for valiantly is *special privilege*. Many of them have, more or less, failed in the competitive struggle, which, when everything has been said against it, does approximately appraise the economic value of a man's services and rewards him accordingly, perhaps in a blundering way and not always justly.

The economic basis under which we now function—freedom of enterprise—is a great voluntary system. It is a go-as-you-please system. Everybody is expected to find his own place in it. There is no overhead authority to tell anyone where he shall go, what he shall do, or what pay he shall get. All of the relationships are left to mutual agreements. It is no wonder under the circumstances that there is some confusion and lost motion. The outstanding characteristic of the existing order of society is individual liberty. The greatest thing in the world, the most important from the standpoint of social progress, is individual freedom—freedom

of initiative, freedom to do one's own thinking and to order one's own life, subject only to the restrictions that are necessary to assure equal right to others.

A socialist society clearly involves the almost complete loss of liberty. Milton, the blind poet, wrote: "Give me above all other liberties the liberty to know, to utter and to argue freely according to my conscience." John Lock contends that everyone comes into the world possessed of certain rights which belong to him by virtue of the fact that he is a man; by virtue of the fact, therefore, that he is made in the image of his creator. These rights are to life, health, liberty, and possessions, and no State and no Government and no official or body of officials is entitled to take away from him these rights or to prejudice their enjoyment. If it tries to do so, it is infringing a law superior to any State law, namely, God's law, promulgated by Him when He made mankind.

Tom Paine was welcomed by the revolting colonists in America. When the Declaration of Independence appeared in 1776, with its conception of man as endowed by the Creator with certain inalienable rights which it goes on to specify as "life, liberty and the pursuit of happiness," it is fairly clear that Paine's hand has helped to draft its provisions. The French National Assembly in 1789 used almost the same words in their Revolutionary Declaration. Liberty is something people have fought and died for. I am not prepared to believe that we in North America have become so soft and spineless that we would accept an autocratic over-lordship in return for the same sort of economic security as penitentiary inmates now enjoy.

We must, however, become reconciled to a certain amount of socialization of the basic economic structure. This, however, would not be harmful, providing the limits of socialization were definite and recognizable. Many cities have socialized their transport facilities to the benefit of all concerned. There is no reason why we might not go much further, to the socialization of those industries in which capital growth and scientific invention play a very small role, while service and security play a large one. It is possible that in a true industrial democracy two areas might emerge: a socialized area, where great growth is not to be expected; and a private area, in which the incentives for expansion would be relieved of all except the most elementary restrictions, with *even more* freedom of enterprise than exists to-day.

Some years ago The Times, of London, Eng., carried an editorial entitled "The Silent Revolution," which seems to have some bearing on this. It read as follows:

"The two days devoted by the House of Lords to the problem of capitalism and socialism were time well spent . . . . The House of Commons is always too much preoccupied with the details of legislation to permit any useful discussion of fundamental ideas; but there must be such discussion if laws are to have any coherence . . . . The debate as a whole must have deepened the impression that Western Society is in a period of transition, a transition

no less profound than that by which the Feudal System passed into the Individualist and Capitalist System . . . . The great transition through which society is passing is one which proceeds apace, whatever government may be in power . . . . Competition has disappeared over a large portion of the industrial field. Moreover, the motive of profit, the mainspring of the capitalist system, has a decreasing importance. It has long been recognized that there are certain essential services, both national and local, which the motive of profit will never supply, or supply sufficiently . . . . Services rather than profit will undoubtedly be the keynote of the age into which we are passing."

## V.

In times of depression we often conclude that there must be something radically wrong with the existing order of society, when millions are out of work through inability to exchange their products as usual. Of course it is true that there is something wrong; there are maladjustments, and disagreements and sudden disturbances, like a great war, which throw the most nicely adjusted organization out of balance.

The difficulties, however, are not inherent in the private management of industry, but in the interdependence of modern industry. They arise from the fact that the people are exchanging goods and services, and that disagreements and contentions over the terms upon which these exchanges should be made. This inherent cause of friction is not removed when industries are taken over by the government.

There always are people who are carried away by the theoretical advantages to be gained by having society managed by some all-powerful authority overhead. There is a fascination about this idea of doing away with all the confusion, rivalries, inequities and hardships that characterize the present state of society, by extending the functions of the government, making it the sole proprietor and employer, but it is a superficial and delusive idea, because the job is beyond the powers of government.

It is fairly obvious, that the state management of industry requires a different type of official than in a state which merely protects the life and property of its citizens. It also requires a certain amount of continuity. There cannot be a different administrator, a different politician, elected every few years, taking the place of someone else in the management of a business. There must be some kind of specialist, either as administrator or executive, to be able to control a whole sphere of enterprise.

Governments are very far from arriving at perfection in the tasks they have already undertaken. They have their limitations, for the wisdom of governments is no greater than the wisdom of the individuals who happen to compose them. I suspect that no man or group of men chosen to govern us can be wise enough to manage our money and plan our economy for us. The infinite variety of human affairs, the infinite desires and aspirations of tens of millions of self-willed people, with their hopes and fears, their

loves and hates and ambitions, are too much for any central government to control and regulate wisely and well. The citizens themselves are likely to produce a healthier, happier and more contented country. Socialism is not, in fact, a forward movement. It is a reversal to ancient economy and feudalism long discarded by the freedom-loving democracies.

It is difficult to understand the optimistic faith of the radical worker in the alleged superior advantage of working under governments, when almost everybody knows that public bodies the world over have justly earned the reputation of being the meanest skinflints of employers. If these people harbour visions of staging strikes to force government to come to their terms, they should rid their minds of any such impossible situation. Under a communistic regime all wage-bargaining organizations would at once be outlawed as being no longer necessary, in fact, dangerous to the security of the State. It would be revolution. Karl Marx would turn over in his grave if such a situation arose.

Even under a regime of State socialism with a completely regimented and disciplined citizenry, we should still find our main administrative problem focused on the human element. The income earning section of a nation is composed of all sorts and conditions of citizens; all the way from the ambitious and hard-working to the indolent and incompetent. Under a system of free enterprise the efficient generally reap their due reward. The inefficient are compelled to mend their ways or fall behind in the struggle for a livelihood. Ours is a system of reward and punishment. Like all human institutions it is far from perfect. Luck, influence, personality and so forth play their parts and often create grave injustices. Unscrupulous individuals abuse their power for selfish gain. Speculators reap unjust rewards.

Democracy, however, is ever alert, and laws are passed from time to time to curb the greed of those who prey on society. As new tricks come to light, new legislation attempts to prevent these abuses and protect fools from their own folly. It is a laborious task, but Democracy has gone far to protect the citizen against exploitation. It is more than likely that we have not gone far enough and have not in the past acted promptly enough. That, however, is not the fault of our system of free enterprise, but of governments elected by popular vote—the responsibility for defective administration rests on the common people themselves who failed to exercise their voting power intelligently.

Russia thought she had found the answer to the perplexing problem of ensuring the maximum welfare of all classes. She confiscated all property. The State became the sole employer. Each individual was to be compensated "according to his need." To accomplish this an autocracy necessarily had to be established. Lenine laboured under no illusions on that point. Freedom of speech and action and a free press obviously was not compatible

with iron-clad discipline and dictatorial direction of the lives of individual citizens. Such would only have resulted in political sabotage, obstructionism and wire-pulling, leading to complete chaos. Autocratic rule must always be inseparable from State socialism.

Russia would have saved herself a great deal of worry and loss if Lenin had studied Dr. Stephen Leacock's able book: "The Unsolved Riddle of Social Justice." Discussing the social theories of Bellamy, he says:

" . . . Work? Why should they work, their pay is there 'fresh and fresh'? Why should they turn up on time for their task? Why should they not dawdle at their labour sitting upon the fence in endless colloquy while the harvest rots upon the stalk? If among them is one who cares to work with a fever of industry that even socialism cannot calm, let him do it. We, his fellows, will take our time. Our pay is there as certain and as sound as his . . . .

"Meantime let us eat, drink and be merry and work as little as we may. Let us sit among the flowers. It is too hot to labour. Let us warm ourselves beside the public stove. It is too cold to work . . . .

"But what? Such conduct, you say, will not be allowed in the commonwealth. Idleness and slovenly, careless work will be forbidden? Ah! then you must mean that beside the worker will be the overseer with the whip; the time-clock will mark his energy upon its dial; the machine will register his effort; and if he will not work there is lurking for him in the background the shadowed door of the prison. Exactly and logically so. Socialism, in other words, is slavery . . . .

"But here the socialist and his school interpose at once with an objection. Under the socialist commonwealth, they say, the people will want to work; they will have acquired a new civic spirit; they will work eagerly and cheerfully for the sake of the public good and from their love of the system under which they live. The loafer will be extinct. The sponge and the parasite will have perished. Even crime itself, so the socialist tells us, will diminish to the vanishing point till there is nothing of it except here and there a sort of pathological survival, an atavism, or a 'throwing back' to the forgotten sin of the grandfathers.

"This last argument, in a word, begs the whole question. With perfect citizens any government is good. In a population of angels a socialistic commonwealth would work to perfection. But until we have the angels we must keep the commonwealth waiting . . . . There is no way out. Socialism is but a dream, a bubble floating in the air . . . .

Russia speedily learned that she had frail human nature to reckon with. Her industries became completely demoralized. With no reward for efficient work and no punishment for indolence and drunkenness, production diminished and quality deteriorated. The advent of the concentration camp and the firing squad did not solve the problem. So the formula was finally changed and payment for labour was based, as it is with us, on "everyone according to his effort," and thus ended the great socialist experiment, which, of course, was doomed to failure before it started.

The Russian workingman is to-day in the same position as he is in the Democracies, only with a vastly lower standard of living. State operation of industry has not produced goods in sufficient volume to come anywhere near supplying demand. Prices are very high, and in many cases prohibitive. Russia has conceivably



learned that there is no particular point in having the State make your shoes or operate your coal mines, unless it can do so cheaper and better than under private operation.

This is not to be regarded as criticizing in any way the magnificent performance of the Russian regime over the past score of years in having succeeded in producing a fair volume of consumer goods, while at the same time creating the world's best equipped fighting machine, which at the moment has covered itself with glory and saved the day for the democracies, who can never adequately repay Russia for her heroic resistance against the German army.

It is, however, a fact that communism in Russia was planted in a peculiarly responsive soil. The enormous illiterate and primitive population, used to blind obedience and autocratic institutions, which had, many years prior to the first world war, made a great success of co-operative enterprise, was a "natural." If communism did not succeed there it could not succeed anywhere.

It is equally clear that such a success could not at this time be duplicated in the European democracies with their higher standard of education and long tradition of individual freedom and self-government. Nevertheless, thinking people do realize that the general drift for many years has almost everywhere been towards a wider State control, and even community ownership and operation, of the productive and distributive machinery. This peaceful evolutionary process, however, can only be unduly accelerated at our peril. We have much to learn—and more to unlearn—before the communistic principle in production could take root in most of the democracies.

From a point of view of obtaining the greatest possible public revenue from industrial production, the present line-up is very favourable to the State, which now actually collects from the earnings of industry by taxation a greater amount than is available for division amongst the shareholders, which will not average 3 per cent on the aggregate capital invested. The government now has no investment, no risk, no responsibility and enjoys the advantage of highly competent industrial management. It looks as if the public occupies an ideal position. The whole controversy should be considered from a standpoint of common sense only.

We may safely conclude that the control of capital earnings in a democracy presents no problem whatever in the reconstruction of society. It is simply a question of determining intelligently what should be the maximum rate on invested capital, and tax accordingly. In any "new order" to be established, however, capital may be in for some rough handling. It has few friends, its voting power is negligible, and there are many demagogues and also many unsuccessful and envious citizens. The tale of "St. James Street" running our governments is, of course, merely a political bedside yarn.

## VI.

The author of "The World's Iron Age" expresses the opinion that the outlook for Democracy in England, depends in some measure on whether the traditional British genius for compromise will make it possible to avoid a head-on collision between doctrinaire socialism and the instinct for private property. One promising means of adjustment, which had come into practical application before the war in such industries as electrical power distribution and transportation, was the establishment of a system of public board management. Under this system public control of the development of the industries was assured; but the functions of management were left in the hands of independent experts, and not turned over to bureaucrats. The situation across the Atlantic is of keen interest to us inasmuch as our own post-war reconstruction policies will assuredly be greatly influenced by the course of events in England.

The question also arises to what extent Great Britain will be able to "unscramble" her present complicated industrial set-up. The concentration and consolidation of industry there has now reached enormous proportions. Smaller establishments by thousands have been ruthlessly closed and mechanical equipment and technical staffs have been pooled with the larger and most efficient enterprises. Obsolete machinery, though still useful in a small plant, has been scrapped for war production. No compensation has yet been agreed on for the unfortunate owners, although they are supposed to participate in the meager profits of the consolidated concern. Or, will there be any serious attempt made to "unscramble"? It is, of course, highly probable that Mr. Churchill may presently be advised by his reconstruction committee under the capable Sir John Reith, to nationalize some of the depressed industries in Great Britain, such as coal mining, as a concession to the radical wing of labour.

There is, however, no indication so far of the likelihood of Mr. King and his followers embarking upon any leftish adventures in Canada. We have no depressed industries here to experiment with except agriculture, and that is too vast a field for nationalization, which would in any event be opposed, almost unanimously, by the farmers themselves. A large proportion of Canadian farmers, particularly in the West, are staunch supporters of the Socialist party, but the C.C.F. was forced to exclude the land from public ownership in its platform. That, of course, was a manifest absurdity. Almost anyone should realize that the very first property to be nationalized in the Socialist state would be the land. Without it Socialism becomes a joke. The "new order" in Canada will, therefore, almost certainly be constructed within the four corners of the prevailing "free enterprise" (so-called capitalistic) system, unless events in Great Britain and the United States take a decidedly radical course.

## CHAPTER VIII.

### HERR HITLER'S "NEW ORDER."

This war has been dubbed a "world revolution". It has been ascribed to almost every motive under the sun. Lack of raw materials, of colonies, of "Lebensraum." It has been described as something "bound to happen" sooner or later because the Good Lord had omitted to create an earthly Paradise, teeming with every sort of natural resources, especially designed for the elect German people. All these theories may be dismissed.

*It is essentially a war of revenge.* As soon as World War No. 1 came to an inglorious end for the central powers, the Prussian officer caste at once set to work to prepare for it. When Hitler came to the front politically he was regarded as a suitable tool in the hands of these arrogant war mongers and the great industrialists who financed him. It is now stoutly maintained that that is all he has ever been. He was carefully groomed for his role in this world tragedy. He was the "front" man, but the army pulled the strings behind the scenes. Every move that has been made diplomatically, economically and in the fields of battle have, it is now competently alleged, been dictated by the high command. Hitler has apparently been the complacent "stooge" and little more. We shall not know the truth until this war is over.

Looking back over events, it is reasonable to conclude that this must seem an inescapable conclusion. To endow this crude, uneducated house painter with almost superhuman intelligence and foresight is ridiculous. The axis strategy in war, economy and diplomacy has been the laborious task of many highly trained and brilliant minds, such as that of Haushofer, the economic and diplomatic genius. Hitler's recent purging of the High Command may, therefore, indicate a break between him and the officer caste.

It is vastly important to place the guilt where it really belongs. *It is not a Hitler war.* We cannot afford to make peace because Hitler and his corrupt Nazi gang may be eliminated. The real criminals are the Prussian officer caste, which was also responsible for the first world war. The logical answer is, that the German army must be smashed to a pulp, completely disarmed and adequate safeguards provided against any future conspiracies by these unscrupulous and vicious blackguards to recreate a similar menace to world peace. We ought to have learned our lesson by this time.

And let there be no blinking of this very significant fact. Germany has already collected an astronomical war indemnity from the occupied countries. She has bled all these unfortunate nations white with fantastic charges for "protection," she has imposed enormous fines, one of a billion franc, for disturbances,

she has looted them of food and almost everything portable and flooded them with incredible billions of utterly worthless paper marks in forcible exchange for their goods. The world has never witnessed highway robbery on such a scale. We are facing a *fait accompli*. Restitution to even the smallest extent must be dismissed as unlikely.

After the end of this war there should be no sickly sentimentality such as arose after the last war. Enemy countries should be left to feed and rehabilitate themselves as best they can. If they should face another five or six years of short rations, it would serve to convince them, as nothing else could, that war does not pay. I fail to see how this lesson can be brought home to them in any other, and more convincing, manner. This may appear callous, but it is the humane course in the long run.

Besides, those charitable families in the Scandinavian countries, for instance, who fed, clothed and educated the hell-conceived spawn of the central powers for several years, only to find them return early in this war, with full command of the northern languages, to act as treacherous "fifth columnists" for the Nazis, will almost certainly have their humane impulses tempered with serious apprehensions. We should save our sympathies and active help for the impoverished democracies now under the brutal heel of Germany. We shall find that these will completely exhaust the depleted resources of the Allies, who have an appalling job to do at home where charity is appropriately said to begin.

In the last resort, the present war is a struggle to determine whether the democratic way of life—national self-determination—is to be banished from the whole earth, which henceforth shall be under the overlordship of the real masters of an obvious maniac and his millions of demented and fanatical followers, who after greedily absorbing persistent but spurious propaganda for years, have had their vanity so inflated that they actually believe themselves to be an elect, invincible and superior race—a "Herrenvolk"—destined to rule and exploit all other and inferior peoples. Manifestations of mass-lunacy is, of course, an old story in history. Other nations have had their periods of paranoiac delusion.

Let us labour under no illusions on this subject. Nazi leaders have made no secret of their blue-print of the future. They visualize three great geopolitical empires. Their own would cover most of Europe, Asia and Africa. The second great empire, the Japanese, would cover East Asia, all the Mongolian and Malayan peoples. The third would take in the Western Hemisphere and be ruled by the United States. But eventually all would, of course, be under the domination of the Teutonic superman.

## II.

Hitler aims at a self-sufficient Europe in food stuffs. Germany would be the industrial centre, all the other countries would devote

their energies to producing raw materials. That general plan is the brain child of a lunatic. Europe has never been able to supply her own food, and, with her present population, cannot begin to do so, except on a very low and health-destroying living standard. The general plan for agriculture is:

1. A central pool will collect all the produce of Europe through subsidiary centres in separate countries. In each of these countries the government keeps accurate check of crops, heads of cattle, pigs, etc., raised by each farmer, who is obliged by law to deliver up a large proportion to the state.

2. In vast agricultural areas smaller farms are merged and operated in grouped large units by Nazi overseers.

3. Crops will be grown not according to the suitability of the soil, but to eliminate problems of surpluses of one crop and shortages of another.

The work is to be carried on under Nazi supervisors and Germany will help herself first. The farmer becomes a serf. The scheme is not unlike that of Russia. The suitability of the soil is not taken into consideration. In Holland, for instance, sixty per cent of whose agricultural land was under permanent grass, they must now turn it to potatoes, cereals and sugar beets. Europe's finest grassland will be sacrificed. France must grow wheat everywhere, whatever the soil, so that overseas imports will no longer be needed. Owing to low agricultural prices over many years the soils of continental Europe have been badly impoverished. No liberties can safely be taken with it. Hitler's agricultural system will rapidly lead to further depletion and early disaster.

### III.

The average person is naturally haunted by the fear of an Axis victory and a "new order," according to Hitler, in Europe, Asia and Africa, with which we in North America would have to live as best we could. Clearly it would be a dreary prospect. Our foreign trade would largely disappear, and our fate would be to organize our production on a basis of economic self-sufficiency as completely as we were able to. Our various standards of living probably could not be maintained on the past high levels. Such a set-up would assuredly be incompatible with the brave, new world we so passionately hope for. The present planning of a "new order" for North America must obviously be based on a complete Axis defeat. A stalemate or an Axis victory would produce an entirely new set of conditions impossible to forecast at this time.

But it seems after all highly improbable that there is any real cause for apprehension. When the war ends the world will be confronted with repairing the senseless and vindictive destruction of hundreds of ancient towns and cities, the shortage of shipping,

dislocation of industry and business and so forth. It will for years to come be a very busy world indeed. The fruits of many centuries of human genius, skill and labour have been cast into the dust to satisfy the lust for power and aggression of a sadistic megalomaniac and his equally demented masters and followers. His name and that of his misguided nation will for generations be hated and reviled wherever men dwell. They have to-day not an honest friend on earth, even amongst their own partners in crime.

Sufficient information has been gleaned from recent Axis statements, to piece together a fairly detailed picture of the so-called "new order" to be imposed on a vanquished world. Its keynote is Germany "uber alles" with Berlin becoming the virtual commercial and financial capital of the world. Italy, Spain and France would enjoy limited self-government, the other nations would be mere principalities of the Reich. The German coinage would be used all over Europe and Germany would control and direct central banking and foreign policy. This program exhibits a typical Prussian conception of world order, *i.e.*, the "Herrenvolk" as the masters and all other nations as the servants. It might conceivably be highly efficient, but would lack the human touch conspicuously.

To suggest, however, that Hitler, the greatest destroyer in history, can bring order out of the chaos that he himself has created is naive. This immoral man is the self-confessed proponent of the cults of dishonesty, falsehood and treachery, unmistakably proven against him time and again. He lacks every decent instinct and his mental processes are those of the criminal. No sane person will have the least confidence in his word or promises. No one will co-operate with him in the gigantic task of the rehabilitation of the wreck that is Europe.

Mussolini, in one of his hysterical speeches, recently declared that the hatred towards the people of Italy of other nations was a matter of profound indifference to them, as long as they were able to wield the mailed fist. Where is this contemptible boaster and his miserable army now? C. Fletcher Dale, however, insists, with vastly greater authority, that "good-will is the mightiest force in the universe." And that is precisely what the German leadership cannot command anywhere; even at home. Hitler has now, largely by treachery, invaded and put his curse on every country in Europe, except a few minor nations all of whom are at his mercy. He has robbed and looted them and reduced the population to starvation and slavery under arrogant and tyrannical "Gauleiters." Secret police and spies dog the footsteps of their citizens, who are just patiently "waiting and hating." What an atmosphere surrounding negotiations for a "new order"! It is fantastic to suppose that this uneducated and discredited guttersnipe can play any part in the serious task of reconstruction, which must be approached in a spirit of generosity and with sympathy and patient understanding of the needs and aspirations of all parties to the deal. The

great nations taking the lead in such an effort must become reconciled to making substantial sacrifices for the time being. Such a policy would not be according to the Axis book.

It is not unlikely that Herr Hitler fully visualizes this unpromising prospect, but entertains ideas of playing the part of the ruthless "conquering hero," simply imposing his will on invaded nations by brute force. That would never work. Past history indicates, that upstart Germany—as a nation hardly out of its swaddling clothes—is not strong enough, materially or spiritually, to assume over-lordship over countries with a thousand years of proud independence and culture behind them. Hitler cannot consign all the people of Europe and elsewhere to perpetual serfdom, even if "puppet" governments should agree to fastening the German shackles on their own citizens. The turbulent, national tribes would resist and sabotage every move he made, as they are actually doing at this moment. The end would be chaos.

The last man in the whole, wide world to lead in post-war reconstruction is precisely Adolph Hitler. That is, I think, a fair appraisal of public opinion in Europe. A new world order and a lasting one can be erected only on the solid foundation of confidence in the integrity and good faith of the leadership. All thinking people on earth will agree, that it can be instituted only by the United States and Great Britain with their honourable traditions and long record of fair dealings with other nations. And we may safely take it for granted, that no matter how the fortunes of war may ebb and flow, no matter what temporary reverses the British Empire and her Allies may sustain in the present conflict with the Axis powers, in the last resort—win, lose or draw—the momentous task of building a new world on the ruins of the old one must, and will, eventually be entrusted to the Anglo-Saxon nations.

Hitler and his Prussian masters in their arrogance, ignorance and lack of historical perspective, entirely overlook the patent fact, that there are some two billion antagonistic people on this earth, who will not long submit to domination by him, by Germany, or by any other insolent and swaggering nation which believes itself elected to play God. Germany will be defeated. She could not tempt her victims with false promises. She cannot break their spirit with her firing squads. She may have perfected the science of making war—but she has failed utterly in the art of victory.

#### IV.

Is this, according to the prediction of Spengler, the beginning of the end of western civilization? Russell W. Davenport ran an editorial in "Fortune," prior to the entry into the war of his country. He said this:

"We live to-day in the midst of a revolution—a revolution against scarcity. So far we have allowed Hitler to claim that revolution. But we need not do so. There exists within us the elements of a leadership new to the world; a leadership

by which we could make that revolution ours and channel its great forces into the free life for the development of a free world.

"The essence of all the principles involved is the Christian doctrine. It is now tragically clear that we Americans cannot flourish, unless by our policies and commitments we cause other peoples to flourish. We cannot even hope to keep freedom unless we help others to be free . . .

"The concept of irresponsibility is not worthy of a free people or of a people who believe in God. We are responsible to other free peoples—and they are responsible to us. Cain never received an answer to his outraged question, 'Am I my brother's keeper?' But we all know the answer. The answer is: 'You are.'"

These are noble words and the United States has now risen in all its might to take up its burden. Europe, in a material sense, lies as prostrate as she was after the end of her Thirty-year war. Spengler bases his pessimistic conclusions on the histories of Babylon, Assyria, Egypt, Greece and Rome. But we are living in different times. With the exception of France, there was no evidence prior to this conflict of any widespread decadence in Europe. Today they are still the same decent, industrious and progressive people they were prior to the treacherous Prussian assault.

The only fault we can properly accuse them of was failure to sacrifice the immediate welfare of their citizens for the purposes of military preparedness against the brutal invasion of the Modern Barbarian. And it is a question whether that was an indication of decadence or of a superior civilization. Europe will yet arise triumphant from the ashes of the present dreadful holocaust. The United States and other Anglo-Saxon nations, with their traditional generosity, will cheerfully assume the role of "brother's keeper" in the happier days to come when we may bend our energies in peace to the arts of rehabilitation and to forget, as far as we are able to, the ugly episode of Axis aggression, when nations which had hitherto fairly observed international decencies reverted almost overnight to the level of the savage, bloodstained beast and ran amuck amongst the friendly nations of a peaceful continent.



## CHAPTER IX.

### CONCLUSION

In the preceding pages I have dealt with many and varied subjects affecting our general economy. But when everything is said and done, it all comes down to a very simple and plain issue, namely:

It is obviously idle to expect any early and sudden transformation in human nature to fit in with the high ideals of a real and effective "new order." Man will not voluntarily practise self-restraint, scrupulous decency and unselfishness in his dealings with his fellow-man, nor will he by word of command develop a sudden love for his neighbour.

Therefore, he must be restrained, disciplined, coerced. Made to behave himself as a civilized being should in an orderly society based on equal justice to all groups.

The totalitarian nations have taught us that such is quite a practical proposition under a ruthless dictatorship.

We have also learned that it is equally feasible under a benevolent autocrat, such as Dr. Salazar, in Portugal, one of the greatest figures of our times.

We will not, however, take kindly to dictatorship, benevolent or otherwise.

Such being the case, the whole issue resolves itself into this very pertinent question: *Can democracy, or rather the political party system, produce a type of patriotic statesman with a stiffer backbone than a jellyfish, who will not, immediately following his election, proceed to shape his public actions with the single objective in mind, that he and his party may be certain of re-election four or five years hence?*

Those seem to be the alternatives confronting us. In the present temper of the Canadian people, I cannot conceive of any "new order" of any kind succeeding under a democratic regime at the beck and call of every rapacious pressure group and committed to opportunism and the sordid game of slick party politics.

There might, however, be another available alternative, which would possibly also instil new life into the present insignificant and discredited party division and lay the foundation for a new and better political era, less dependent, at least, for a time, on fickle, popular support.

I refer to an early amalgamation of the "Liberal-Conservative" and "Conservative-Liberal" parties. Mere labels which now have

no particular meaning. The cleavage in Federal politics to-day is *Right versus Left*. *There is no other concrete issue before the voter.*

If, owing to the obstinacy or stupidity of political leadership, this cannot be successfully accomplished, we will, of course, still get some sort of hybrid "new order" conferred upon us, which will assuredly fail either to satisfy the great expectations of the majority of Canadians, or to prove workable. We will then be all set to proceed at the first opportunity, hell-for-leather and all the way, possibly towards the extreme left. Those who doubt this eventuality should get their ears closer to the ground in labour and farmer circles. The past grim decade has written history in political thought.

*THE END.*

